KASAGANA-KA Mutual Benefit Association, Inc.

ANNUAL REPORT 2015

Quezon City

Philippines
2015

Contents

KASAGANA-KA Mutual Benefit Association, Inc.

Annual Report 2015

Part I: Financial and Non-Financial Performance

The Year 2015, as in previous years, was an equally remarkable period for **KASAGANA-KA Mutual Benefit Association, Inc.** as it comes close to a milestone year – its tenth anniversary. It continued to expand its reach in providing affordable insurance products and services to women and their families in poor urban and rural communities, and to manage this with efficiency and dedication.

Profile

KMBA is a non-stock, not-for-profit organization owned and managed by its members. Organized in May 2006, KMBA is a sister organization of KASAGANA-KA Development Center, Inc. (KDCI), a social development nongovernment organization using microfinance as its major strategy for empowerment and financial education. KDCI's client-beneficiaries and staff members constitute KMBA's primary members. KMBA also offers associate membership to client-beneficiaries of its partner microfinance organizations and other organized sectors.

Vision and Mission

KMBA envisions a self-reliant and self-sustaining mutual benefit association that actively and appropriately responds to financial risk management needs of poor Filipino families. Toward this end, it offers microinsurance products and services that provide immediate financial assistance in times of dire needs. In addition to its basic life insurance, KMBA makes available microinsurance packages that can broaden the safety net of the poor. It engages in advocacy and networking activities that seek to render further support to its members. Moreover, it continually seeks to develop cost-effective mechanisms for delivering microinsurance to the poor and disadvantaged.

Accomplishments

In 2015, KMBA achieved positive performance in all key areas of its operation: expanding membership outreach, providing additional products and services to its members, enhancing the capability of its leaders and management team, and strengthening its partnerships and network affiliations. All this was translated into better-than-expected financial accomplishments.

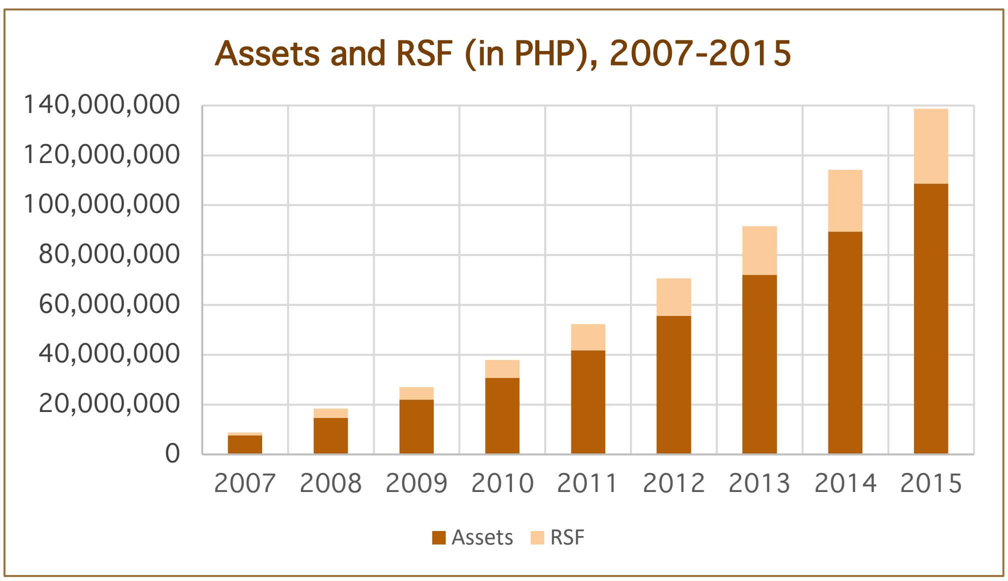
Financial Highlights

Assets	**PHP 138,665,989.00**
Liabilities 50% Reserves and Retirement Savings Fund	**PHP 96,136,391.00**
Fund Balance Guaranty Fund + Unassigned Surplus + Net Surplus	**PHP 42,529,598.00**
Operating Expenses	**19% (of total premium collections)**

Financial performance

KMBA's premium collections in 2015 reached PHP35 million, up from PHP30.7 million in 2014. The 12-percent growth in premium collections was brought about by the significant increase in the number of members (13 percent), surpassing the 10-percent growth target for 2015.

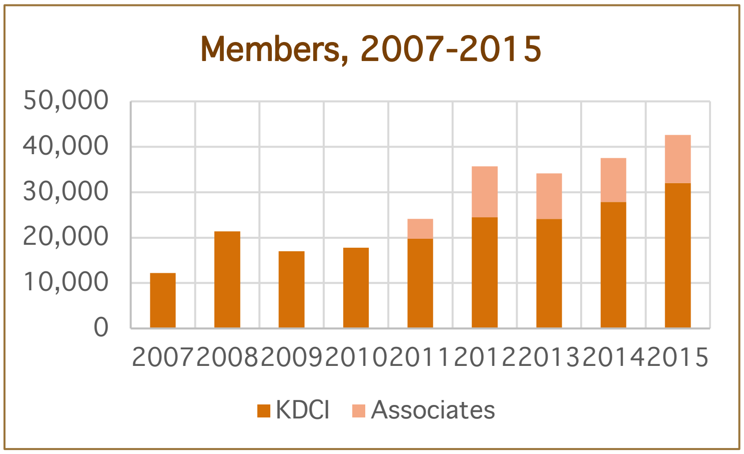
In 2015, KMBA's total assets increased to PHP138.7 million. Liabilities totaled PHP96.1 million (including equity value and retirement savings fund or RSF). Fund balance, composed of the guaranty fund and unassigned surplus, amounted to PHP42.5 million. Operating expenses reached 19.8 percent of gross premium collection, in compliance with the Insurance Commission's 20-percent limit on administrative costs.



Membership

KMBA's membership in 2015 exceeded its growth target of 10 percent. By year end, membership totalled 42,573, up by 13 percent from 2014. Of these members, three-fourths (32,002) were KDCI client-beneficiaries and staff while the rest (10,571) were from associate members, that is, client-beneficiaries or members of consortium partners.

As KMBA further extends its partnerships with other microfinance institutions through the consortium strategy, the geographic coverage of its services has expanded to cover Metro Manila and nearby provinces and the island-province of Cebu.

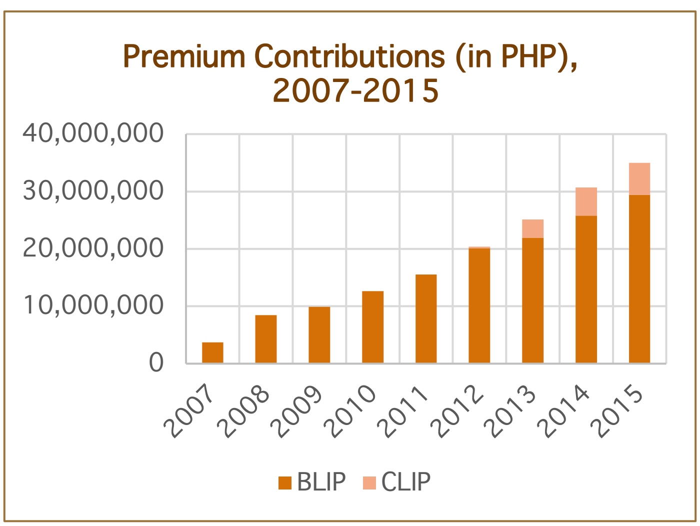


Members in 2015

KDCI	32,002
Associates	**10,571**
TOTAL	**42,573**

Products and services

A major product offering of KMBA is basic life insurance plan (BLIP), which in 2015 was secured by its 42,573 members for themselves and members of their families. In addition, KMBA extended credit life insurance plan (CLIP) to business (K-Negosyo) and housing (K-Bahay) loans of KDCI (totalling 65,146), and all loan products of the Cebu Archdiocesan Program for Self-Reliance, Inc. or CAPS-R (totalling 21,914).



Premium Contributions

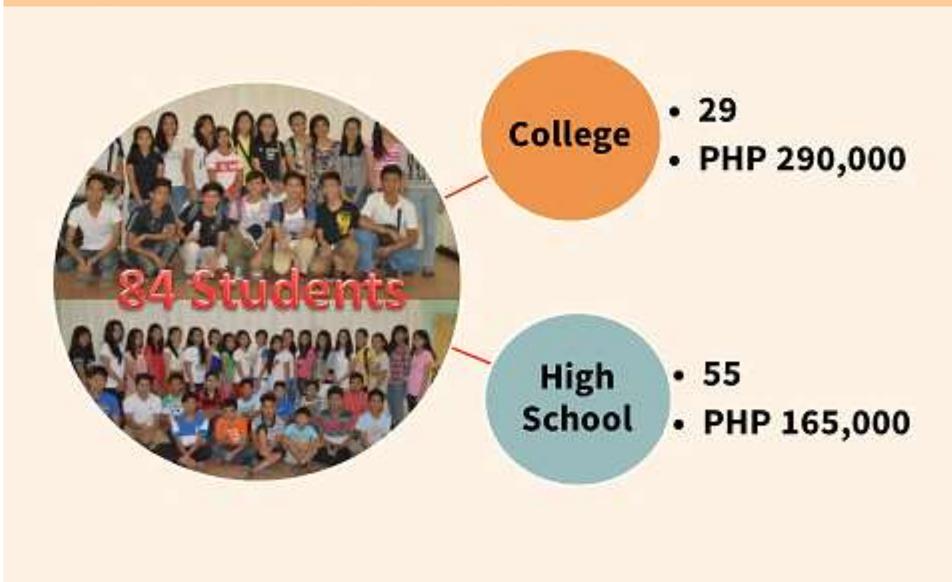
Year	BLIP	CLIP
2007	3,713,530	
2008	8,448,850	
2009	9,928,616	
2010	12,656,688	
2011	15,530,185	
2012	20,102,172	303,157
2013	21,962,208	3,168,122
2014	25,771,607	4,906,057
2015	29,420,648	5,574,428
TOTAL	**147,534,504**	**13,951,764**

In partnership with the Bankers Assurance Corporation, KMBA has been offering K-Kalinga, a personal accident insurance with fire assistance, to both KMBA members and non-members. In 2015, 14,534 K-Kalinga policies were sold, 34 percent of which were for KDCI members and their families.

As further service to its members, KMBA provides assistance under SICAT (Social Initiatives Against Catastrophe) – a nonstock, nonprofit organization of mutual benefit associations within the network of the RIMANSI Organization for Asia and the Pacific, Inc. KMBA members can gain access to the post-emergency residential housing assistance (BAHAYnihan Program), amounting to a maximum of PHP2,000 for totally-damaged residential house following a natural or man-made disaster or catastrophe, including typhoon, flooding, earthquake, volcanic eruption, tsunami, fire, lightning, and acts of terrorism. In 2015, a total of PHP78,000 were released to 39 claimants from KMBA.

Another important service to members is the Kuya Jun Scholarship Program (KJSP), which was begun during KMBA's initial years. KJSP provides scholarship support to members' children who are in high school or college. In 2015, KMBA released PHP455,000 for the allowances of 55 high school and 29 college scholars. These figures brought the total assistance to PHP2.5 million, with 63 scholars finishing high school and 53 college students completing their degrees.

KJSP in 2015

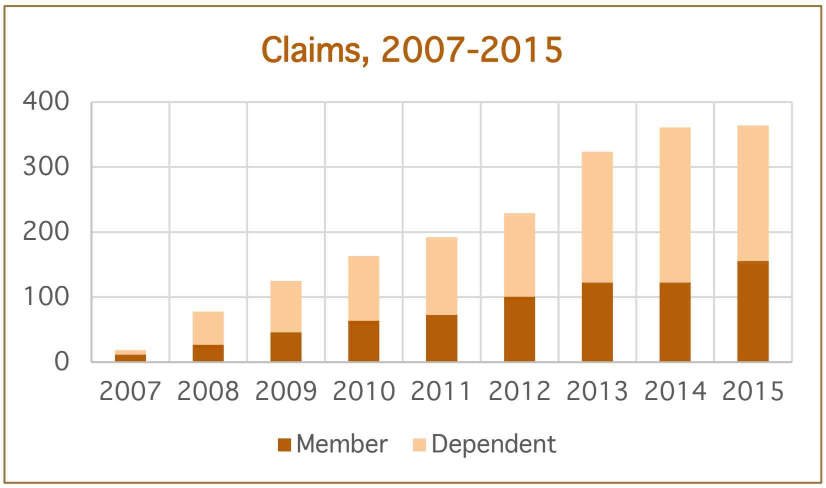


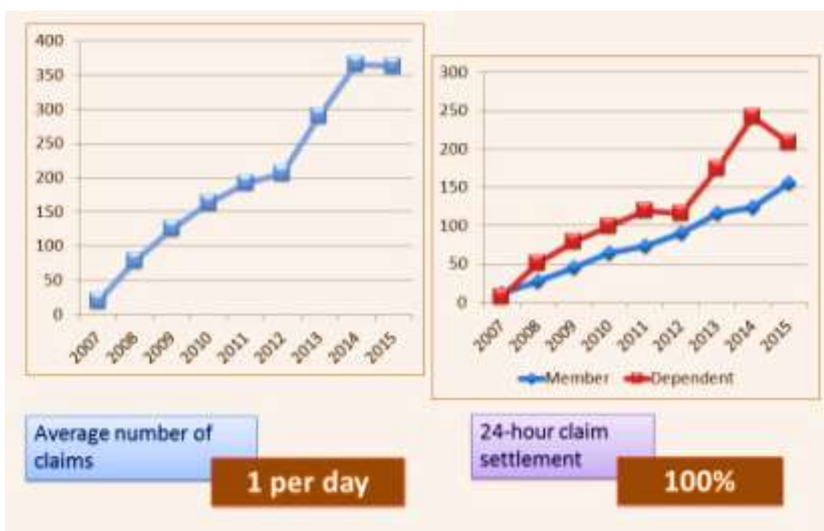
A recent assistance innovation is the ***Golden K Fund***, which was developed with KDCI. Golden K Fund is an investment product exclusively for members who would reach the exit age for insurance coverage. In December 2015, a total of 205 KDCI client-beneficiaries had exited from KMBA's insurance program, 80 percent of whom opted to invest in the Golden K Fund. KMBA released a total of over PHP1 million retirement savings fund of exiting members, and facilitated the transfer to KDCI of funds of members who enrolled in the Golden K fund.

Claims

From 2007 to 2015, KMBA disbursed a total of PHP26.2 million for 1,855 claims of members or their dependents. In 2015 alone, KMBA released PHP5.7 million for 364 BLIP claims (or about one claim per day). These figures were markedly higher than those in 2014, in which a total of 119 CLIP claims were covered amounting to PHP1.2 million.

KMBA continues to process claims settlements within its 1-3-5 day target. In 2015, the Microinsurance MBA Association of the Philippines, Inc. (Mi-MAP) assessed KMBA as among the top performers in terms of compliance with the 24-hour claim settlement policy.





Strengthening networks

KMBA continues to establish itself in the microinsurance industry by developing new partnerships and strengthening its network affiliations. An active member of Mi-MAP, KMBA was elected secretary to the Board of Trustees in 2015 and 2016. In the same period, KMBA was also secretary of SICAT's Board of Trustees. Moreover, KMBA is one of three Philippine mutual benefit associations selected by the International Cooperative and Mutual Insurance Federation (ICMIF) to participate in the 5-5-5 development strategy, aimed at "[extending] mutual insurance to an extra five million low-income households over five years in five countries."

2016 Plans and Targets

KMBA's 10th year will be a year of reaffirming its commitment to its vision and mission, and consolidating its gains by maintaining the quality of the services that it has been delivering well. At the same time, KMBA will seek to improve what it can still do better, and share its achievements with colleagues in the social development community.

Coverage, products, and services

To widen its membership base, KMBA will continue to pursue the establishment of new consortium and associate partnerships. It will target additional 8,000 new members while maintaining services for current associate members and CLIP coverages. At the same time, it will work toward extending the coverage of K-Kalinga to 15,000 individuals.

To strengthen its capacity to cover policy claims in the event of major catastrophes, KMBA will continue its negotiations with other institutions for credit life reinsurance.

Furthermore, KMBA will extend the reach of KJSP by increasing the number of scholars to 100. It will also look into developing more support mechanisms for the KJSP scholars as well as alumni.

Institutional growth

To deliver faster services to members, KMBA is enhancing its internal systems and capacities. For 2016, the target is the development of an internal management information system (MIS). As in previous years, capability-building activities for our board of trustees, coordinators, and management team. Within the year, KMBA will be crafting its seven-year strategic plan (2017-2023) to determine the general direction for the organization. Plans are also underway for the purchase of a property to serve as KMBA's investment. The new office is envisioned to house KMBA's growing operations, and accommodate the main offices of all institutions within the KASAGANA-KA family.

Leadership and Management

Members of KMBA's Board of Trustees are selected from among its members. It is composed of seven member-representatives from its various areas of coverage, a staff member of KDCI, and an independent member. The member-representatives to the Board are elected annually from among the area coordinators, who are themselves elected from among the chiefs of the centers in each KDCI field office. With the exception of the independent member, the members of the Board elect from among themselves KMBA's president, treasurer, and secretary. KMBA's general manager sits as ex officio member.

KMBA is also designed to have a five-person Board of Advisers composed of four past presidents and the Chief Executive Officer of KDCI. In 2015, the Board of Advisers had only four members as it had yet to complete its full membership of four previous presidents.

In addition to the general manager, six full-time members comprise the management team which attends to the day-to-day operations of KMBA. A Corporate Governance Manual, along with a Code of Conduct and Ethics, enshrines accountability and transparency within the organization and its management.

Board of trustees and key officers

Elizabeth N. Yayon President (2013-2016)
Academic/Professional Qualifications Junior Secretarial course, Dr. Yangas College, 1992
Age: 44
Date of first Appointment July 30, 2013
Other Present Corporate Directorship None
Seminars Attended • Corporate Governance and AMLA Workshop Insurance Commission, 2014 • Microinsurance MBA Learning Session: Organizing a General Assembly and Administering Board and Election Process Rimansi, 2015 • Evaluating Potential Partner for MI-MBA Rimansi, 2015 • Leadership Training Workshop Rimansi, 2015

Judea T. Gutierrez Treasurer (2013-2016)
Academic/Professional Qualifications Undergraduate, Bachelor of Office Management, Polytechnic University of the Philippines, 1986
Age: 49
Date of first Appointment July 30, 2013
Other Present Corporate Directorship None
Seminars Attended • Governance and AMLA Workshop for Mi-MBA Insurance Commission, 2014 • Evaluating Potential Partner for Mi-MBA Rimansi, 2015

Jerlene B. Perez **Secretary (2013-2016)**
Academic/Professional Qualifications Computer System Design and Programming; AMA-CLC, 1998
Age: 37
Date of first Appointment June 27, 2014
Other Present Corporate Directorship President, Kasagana-Ka Employer-Employee Provident Fund, Inc.
Seminars Attended • Governance and AMLA Workshop for Mi-MBA Insurance Commission, 2015

Ma. Jona K. Parolan **Member (2014-2016)**
Academic/Professional Qualifications High School Graduate – Paradise High School, 1984
Age: 46
Date of first Appointment June 27, 2014
Other Present Corporate Directorship None
Seminars Attended • Corporate Governance and AMLA Workshop Insurance Commission, 2015

Marivic R. Loterte **Member (2013-2016)**
Academic/Professional Qualifications High School Graduate – Bagong Silang High School, 1987
Age: 46
Date of first Appointment June 27, 2014
Other Present Corporate Directorship None
Seminars Attended

- Corporate Governance and AMLA Workshop for Mi-MBA
  Insurance Commission, 2015

Ailene V. Ramos
Member (2013-2016)

Academic/Professional Qualifications
High School Graduate – Marikina High School, 1994

Age: 40

Date of first Appointment
June 27, 2014

Other Present Corporate Directorship
None

Seminars Attended
- Corporate Governance and AMLA Workshop
  Insurance Commission *, 2014*
- Leadership Training Workshop
  Rimansi, 2015

Perla F. Batingal
Independent Member (2013-2016)

Academic/Professional Qualifications
A.B. Behavioral Science – UST, 1985
Post Grad: Masters Technology Management – U.P, 2004
Diploma Course: Retail Franchise Management – St. Benilde, La Salle, 2004

Age: 52

Date of first Appointment
June 27, 2013

Other Present Corporate Directorship
Chams Retail – Gen. Manager, 2010 to present
Goodyear Philippines – Branded Retail Manager, 2009 to present
TOTAL Philippines – Business development head, 2005 to present
Retail Branded Mktg. Director – JM Far East Inc. 2015 to present
DKT Philippines – Business Development/Start-up consultant

Seminars Attended
- Governance and AMLA Workshop
  Insurance Commission, 2014

Board Committees

Audit Committee

Chair:	Perla F. Batingal
Members:	Leovina V. Timajo
	Raquel I. Dionisio
	Josefina Y. Torres
	Ma. Jona K. Parolan

Treasury Committee

Chair:	Elizabeth N. Yayon
Members:	Judea T. Gutierrez
	Silvida R. Antiquera
	2 KDCI board members

Product Development and Innovation Committee

Chair:	Jerlene B. Perez
Members:	Ma. Teresa G. Bucad
	Luzviminda A. Francisco
	Ailene V. Ramos
	Anita L. Manundo

Nomination & Election Committee

Chair:	Marivic R. Loterte
Members:	Evangeline E. Pe
	Oliver P. Roldan
	Teresita D. Padel
	Marilyn C. Aldave

Ethics Committee

Chair:	Elizabeth N. Yayon
Members:	Wenifreda F. Rodriguez
	Edelyn Y. Ocampo
	Leticia T. Rodriguez
	Elizabeth G. Fuentes

Special Project Committee

Chair:	Silvida R. Antiquera
Members:	Elizabeth N. Yayon
	Martiniana G. Mancio
	Chona B. Capayas

Corporate Governance

The Board of Trustees and Management Team of KMBA commit themselves to the principle and best practices contained in KMBA's Manual on Corporate Good Governance, association by-laws, and Articles of Incorporation. The association is committed to adhering to these principles and practices, and acknowledge that these serve as guide in the attainment of association goals.

Board of Trustees

The Board of Trustees is formally assigned responsibility in KMBA's by-laws for the "government, control, and general management of the affairs, funds and property of the association." Compliance with the principles of sound corporate governance instituted in the Manual of Corporate Good Governance is the paramount responsibility of, and starts with, the board of trustees. The board exercises corporate powers and conduct and manage the programs and services of KMBA in consonance with the principles of sound corporate governance instituted in the manual and is responsible for fostering the long-term success of the association.

A trustee's office is one of trust and confidence. As such, a trustee shall act in a manner characterized by transparency, accountability, and fairness.

Composition of the Board of Trustees

KMBA has a seven-person Board of Trustees composed of five member-representatives from its various areas of coverage, a representative from the KDCI staff, and an independent member. KMBA's general manager sits as ex-officio member. With the exception of the independent member, the members of the board elect from among themselves KMBA's president, treasurer, and secretary. The member-representatives to the board are elected annually from the area coordinators. Of the five trustees elected, the first three trustees elected with the highest number of votes will serve for a period of two years and the last two will serve for one year. Elections thereafter will only be for the position of trustees vacated.

Board of Advisers

KMBA also has a Board of Advisers composed of four former presidents of its board of trustees and KDCI's chief executive officer. In 2015, the Board of Advisers had only four members as it had yet to complete its full membership of four previous presidents.

Independent Trustee

The Independent Trustee is a person who has no business, relationship, or position with KMBA or its partner organizations which could, or could reasonably be perceived to, materially interfere with the exercise of his or her independent judgement in carrying out his or her responsibilities as an independent trustee. He or she likewise should not be acting as nominee or representative of any individual in the related institutions or any of its members. For 2013-2015, our Independent Trustee is Ms. Perla F. Batingal.

Board Performance

The regular meeting of the board of trustees shall be held at least once a month. However, the president or a majority of the trustees may at any time call a special board meeting to consider urgent matters.

KMBA shall hold its annual general membership meeting every 31st of May. However, for 2015, KMBA held its ninth annual general meeting last 26 June 2015 at DEHHA Club House, Don Francisco St., Don Enrique Heights, Holy Spirit, Quezon City. As part of capacity-building and values formation activities, a recollection and teambuilding activity was organized for the board of trustees, area coordinators, board of advisers, and management staff. The activity was held last 30 January to 1 February 2015 in Baguio City. KMBA's leaders and staff have likewise participated in various seminars and workshops.

Board of Trustees	Designation	Attended Annual Meeting	No. of BOT meetings held	No. of meetings attended	%
Elizabeth N. Yayon	President	✓	7	7	100%
Judea T. Gutierrez	Treasurer	✓	7	7	100%
Jerlene B. Perez	Secretary	✓	7	6	86%
Ailene V. Ramos	Member	✓	7	7	100%
Marivic R. Loterte	Member	✓	7	6	86%
Ma. Jona K. Parolan	Member	✓	7	7	100%
Perla F. Batingal	Independent Trustee	✓	7	6	86%

Board Remuneration

The Board of Trustees, Board of Advisers, and committee members do not receive any compensation or remuneration for their services, except for actual reimbursements of monitoring and transportation expenses incurred.

Board Committees

KMBA has five committees, composed of area coordinators and/or officers of KDCI. All committee chairs are board members, but no board member shall hold more than one chair position. Within ten days from their creation, the committees elect from among its members, a chair and members. All committee members serve a term of one year.

Audit Committee

The Audit Committee is composed of five members: three trustees, including the independent trustee, and two area coordinators. No member of this committee can hold any other position within KMBA during his or her term of office. The committee provides internal audit service, maintains a complete record of its examination and inventory, and submit a financial report quarterly, or as may be required by the board and the general assembly.

For 2015, the members of the Audit Committee are:

Chair: Perla F. Batingal
Members: Leovina V. Timajo
Raquel I. Dionisio
Josefina Y. Torres
Ma. Jona K. Parolan

Last year, the Audit Committee held 1 meeting with the following agenda:
Coordinate with the external auditor in preparation for the 2015 financial statement

Name	No. of meetings held	No. of meetings attended	%
Perla F. Batingal	1	1	100%
Leovina V. Timajo	1	1	100%
Raquel I. Dionisio	1	1	100%
Josefina Y. Torres	1	1	100%
Ma. Jona K. Parolan	1	1	100%

Treasury Committee

The Treasury Committee reviews, advises, and recommends approval, decision, or action on financial matters. It is composed of five members: two board members of KMBA, two members of KDCI board of trustees, and KMBA general manager.

For 2015, the members of the Treasury Committee are:

Chair: Elizabeth N. Yayon
Members: Judea T. Gutierrez
Silvida R. Antiquera
Noel P. Tolentino
Atty. Eduardo Pangan

Last year, the Treasury Committee held 1 meeting with the following agenda:
(a) Investment of P 7M to BDO Treasury Bills

Name	No. of meetings held	No. of meetings attended	%
Elizabeth N. Yayon	1	1	100%
Judea T. Gutierrez	1	1	100%
Silvida R. Antiquera	1	1	100%
Noel P. Tolentino	1	1	100%
Atty. Eduardo Pangan	1	1	100%

Product Development and Innovation Committee

The Product Development and Innovation Committee is responsible for developing new and/or additional benefit packages and services that meet the emerging needs of members. The Committee also enhances existing implementing rules and regulations, work flow and processes, systems and procedures to include claims settlement, and products and services. The Committee is composed of seven members: three board members, two area coordinators, and two KDCI board of trustees members.

For 2015, the members of the Product Development and Innovation Committee are:

Chair: Jerlene B. Perez
Members: Ma. Teresa Bucad
Luzviminda A. Francisco
Ailene V. Ramos
Anita L. Manundo

Last year, the Product Development and Innovation Committee held 1 meeting with the following agenda: (a) Discuss/explore new product for exiting age members

Name	No. of meetings held	No. of meetings attended	%
Jerlene B. Perez	100%	100%	100%
Ma. Teresa G. Bucad	100%	100%	100%
Luzviminda A. Francisco	100%	100%	100%
Ailene V. Ramos	100%	100%	100%
Anita L. Manundo	100%	100%	100%

Nomination & Election Committee

The Election Committee formulates and implements election rules and guidelines duly approved by the general assembly. It is composed of five members: three board members and two area coordinators.

For 2015, the members of the Election Committee are:

Chair: Marivic R. Loterte
Members: Evangeline E. Pe
Oliver P. Roldan
Teresita D. Padel
Marilyn C. Aldave

Last year, the Election Committee held 3 meetings with the following agenda:

a) Election guidelines & Proxy voting process;
b) Plans and activities for the AGM;
c) Discuss the provisions in the By-laws related to election of board of trustees
d) Recommend to the board of trustees on the appointment of BDO Alba Romeo & Co. to count and validate the votes at the AGM on May 31, 2016

Name	No. of meetings held	No. of meetings attended	%
Marivic R. Loterte	3	3	100%
Evangeline E. Pe	3	3	100%
Oliver P. Roldan	3	2	67%

Teresita D. Padel	3	3	100%
Marilyn C. Aldave	3	3	100%

Ethics Committee

The Ethics Committee develops a Code of Governance and Ethical Standards to be observed by the members, officers, and employees of KMBA, subject to the approval of the board of trustees and the ratification of the general assembly. The Committee conducts initial investigation or inquiry upon receipt of a complaint involving the Code of Governance and Ethical Standards and submits a report to the board together with the appropriate sanctions. It is composed of five members: three board members and two area coordinators.

Management Team

The overall responsibility for the day-to-day operations of KMBA rests on the General Manager. As head of the management team, the general manager provides general directions, supervision, management, and administrative control on all the operating units subject to such limitations as set forth by the board of trustees or the general assembly.

In addition to the general manager, six full-time members comprise the management team which attends to the day-to-day operations of KMBA.

External Auditor

The External Auditor is independent of KMBA and reports to the association's board of trustees. In the selection of external auditors, KMBA is in compliance with the Insurance Commission Circular No. 29-2009 dated 10 November 2009, "the revised guidelines on accreditation of auditing firms and external auditors".

For 2015, the accounts of KMBA were audited by the external auditor BDO ALBA ROMEO & CO. The fees incurred by KMBA for BDO ALBA ROMEO & CO's services amounted to One hundred sixty five thousand pesos (P165, 000), exclusive of VAT.

The BDO ALBA ROMEO & CO. has been engaged by KMBA solely to perform audit services.

Internal Auditor

The Internal Auditor provides independent and objective evaluation of KMBA's financial and operational business activities, including its corporate governance, as well as evaluation of operational efficiencies, and reports directly to the board of trustees.

Code of Ethics

The Association have adopted a Code of Conduct and Ethics that are required to be observed and complied by Board of Trustees, officers and employees in dealing with members and other stakeholders within and outside the association. It also describes the behavioural standards expected from a trustee so that he or she can better understand and meet the expectations and requirements of the organization and regulators. Included in the Code are the standards of conduct for ensuring the proper discharge of duties and responsibilities, adopting the basic principle that a trustee should not use his or her position to make profit or to acquire benefit or advantage for himself or herself and/or his or her related interests, avoiding situations that would compromise his or her impartiality; maintaining professional integrity; and enhancing skills, knowledge, and understanding of association's operations and related activities.

Risk Management

As part of the effective management processes, the KMBA's Risk Management Policy provides guidelines to the Board of Trustees, officers and management staff that can be applied to help manage risks before it affects KMBA. The Board of Trustees regularly review and assess the risks that KMBA faced in all areas of work and plan for the management of risks. The risks that KMBA may face are categorized as follows: liquidity risks, credit risk and compliance risk.

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.

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 analysing 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' 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:

	2015	2014
Cash in Bank	₱43,960,526	₱17,368,899
Receivables	2,747,379	5,093,452
Available for Sale Financial Assets	15,615,901	15,179,142
Held to Maturity Investment	75,678,366	75,678,366
	₱138,002,172	**₱113,319,859**

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.

Compliance Risk

Compliance Risk arise from violations or non-conformity to laws, rules and regulations, circulars, and prescribed practices of Insurance Commission and other regulatory bodies that may expose to fines and penalties by the regulatory bodies. The Association makes sure its compliance to its Manual of Corporate Governance and other compliance policies.

Financial Performance Indicators

KMBA complies with the financial policies of the Insurance Commission, which includes administrative costs do not exceed 20 percent of the total gross revenue. It also complies with the high ratio in Risk Based Capital (RBC) Framework requirement.

In 2015, KMBA's operating expense are at 19.78 percent of our gross premium collection. KMBA's RBC ratio is at 914%.

Non-Financial Performance Indicators

We have consistently met our goal of providing claims settlements within 24 hours upon receipt of complete documents. The Microinsurance MBA Association of the Philippines, Inc. (Mi-MAP) has ranked KMBA No. 1 in terms of compliance with the 24-hour claim settlement policy. This shows our dedication to providing efficient services, ensuring that our members and their families receive the claims at the time when they need it most.

Policy on Dividends

KMBA does not declare dividends to members. Its income goes directly to members' benefits through an increase in the guaranty fund. In compliance with the Insurance Code, KMBA refunds 50 percent of members' premium contributions when they withdraw membership from KMBA. KMBA also releases 100 percent of members' accumulated retirement savings fund upon reaching the exit age or upon withdrawal of membership from KMBA.

KMBA does not declare dividends to members. Its income goes directly to members' benefits through product reinsurance, scholarships and other financial assistance to members affected by calamities. In compliance with the Insurance-approved product, KMBA refunds 50 percent of members' premium contributions when they withdraw membership from KMBA. KMBA also releases 100 percent of members' accumulated retirement savings fund upon reaching the exit age or upon withdrawal of membership from KMBA.

Employees capacity building

To contribute to employees' continuous growth, KMBA sends them to trainings and seminars, and organizes capacity-building activities for staff. In 2015, KMBA's staff participated in the following activities:

- Micro-health Policy and Regulatory Framework
  10 March 2015, Pampanga
- RBAP Basic Microinsurance Training
  18-19 March 2015, CMDI Facility, Pasay City
- Microinsurance MBA Learning Session: Organizing a General Assembly and Administering Board and Election Process
  30 March 2015, Legend Villas, Mandaluyong City
- Writeshop on Mi-MBA Corporate Governance Manual
  1-3 June 2015, New Horizon Hotel, EDSA, Mandaluyong City
- Evaluating Potential Partner for Mi-MBA
  24 July 2015, Medical Plaza Building, Ortigas, Pasig City
- DRRM for Private Sector
  14-15 September 2015, Oracle Hotel and Residences, Quezon City
- DRRM Training for Mi-MBA
  12-13 October 2015, Cherry Blossom Hotel, Bacobo Extension St., Ermita, Manila
- Management Forum: Compliance, Performance, and Risk Management
  25-27 November 2015, Sugarland Hotel, Araneta St., Singcang, Bacolod City
- Leadership Training Workshop
  9-11 December 2015, BSA Twin Towers, Ortigas, Mandaluyong City
- ICMIF 5-5-5 Strategy Inclusive Mutual Insurance Symposium
  7-9 December 2015, Kingsburry Hotel, Colombo, Sri Lanka

Supplier

The Association has a policy that covers the selection, bidding and approval process for the selection of the suppliers. The Association usually considers the following factors in selecting suppliers:

1. Cost
2. Quality of the service

3. Efficiency
4. The relationship of the Association with the supplier.

The Association prohibits transactions involving solicitation, directly or indirectly accepting any gifts, commission and any other form of payment from members, suppliers and other parties in exchange for any unfavorable treatment.

Related Party Transaction

Related party transactions between KMBA and any of its partner organizations and related "party" shall be disclosed. Related party includes (a) Board of Trustee members of KMBA, its sister organization (KDCI), and partner organizations; (b) the general manager and key officers, including anyone who directly reports to the board of trustees; and (c) any person whose judgement or decisions could be influenced as a consequence of an arrangement or relationship between or involving themselves and any of the persons mentioned above.

Environment-friendly value chain

KMBA ensure that environmental and social consciousness are incorporated in the day to day operations of the association for the benefit of all its stakeholders, employees and all the community in which it operates. It also continues to implement initiatives to support its advocacy on environment awareness and sustainable development by "reduce and reuse" of office supplies.

Protecting the whistle blower

Confidentiality

All reports will be treated with utmost care and confidentiality. KMBA will make every effort to protect the identity of the whistle blower from disclosure to any third party, unless compelled by law during the conduct of legal proceedings. KMBA also expects the same level of confidentiality from the whistle blower

Retaliation and Harassment

KMBA commits to protect those who report in good faith from retaliation, harassment and other forms of threat. KMBA ensure that necessary action will be strictly enforced.

KMBA will then confirm and validate if the report made is in good faith. However, if the report is done with malicious intent, for personal gain or bias, or based on false or misleading information, the whistle blower may lose his/her protection and KMBA may decide to impose a disciplinary action against the whistle blower.

Audited Financial Statement

KASAGANA-KA
Mutual Benefit Association, Inc.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of KASAGANA-KA Mutual Benefit Association Inc. (the Company) is responsible for the preparation and fair presentation of the financial statements for the year ended December 31, 2015, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Trustees reviews and approves the financial statements and submits the same to the stockholders.

Alba Romeo & Co., the independent auditors, appointed by the Trustees has examined the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the Trustees, has expressed its opinion on the fairness of presentation upon completion of such examination.

Elizabeth N. Yayon
Chairman of the Board

Elizabeth N. Yayon
President

Judea Gutierrez
Treasurer

Signed this 06 day of April, 2016

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#5 Don Francisco Street, Don Enrique Heights, Brgy. Holy Spirit Commonwealth Ave., Quezon City
Telefax: (63) 990-7915
Email: kasagana.mba@gmail.com

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. ("the Company") is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2015. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return (Annual Information 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 withholding 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, 2015 and the accompanying Annual Income Tax Return are in accordance with the books and records of the Company, 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 Company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances; and

c) the Company 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.

Elizabeth N. Yayon
Chairman of the Board

Elizabeth N. Yayon
President

Judea Gutierrez
Treasurer

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BDO ALBA ROMEO & CO., CPAS
Audit | Tax | Consulting

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Branches: Bacolod / Cagayan de Oro / Cebu
Tel: +(632) 844 2016
Fax: +(632) 844 2045

INDEPENDENT AUDITORS' REPORT

The Members and the Board of Trustees
Kasagana-Ka Mutual Benefit Association, Inc.
#5 Don Francisco St., Don Enrique Heights
Commonwealth Avenue, Brgy. Holy Spirit, Quezon City

Report on the Financial Statements

We have audited the accompanying financial statements of Kasagana-Ka Mutual Benefit Association, Inc. (A Nonstock, Nonprofit Organization), which comprise the statements of financial position as at December 31, 2015 and 2014, and the statements of comprehensive income, changes in fund balance and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Kasagana-Ka Mutual Benefit Association, Inc. (A Nonstock, Nonprofit Organization) as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with the Philippine Financial Reporting Standards.

Report on 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 18 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 whole.

ALBA ROMEO & CO.

Leticia C. Tagle
Partner
CPA Certificate No. 0017358
Tax Identification No. 123-048-280
PTR No. 5358086, issued on January 26, 2016, Makati City
BOA/PRC Accreditation No. 0005, issued on December 1, 2015
effective until December 31, 2018
SEC Accreditation No. PA-A-733-A (Individual), Conditional Group A
issued on February 3, 2016, effective until June 3, 2016
SEC Accreditation No. 0007-FR-4 (Firm), Group A, issued on July 16, 2015
effective until July 15, 2018
BIR Accreditation No. 08-001682-6-2014, issued on January 5, 2015
effective until January 4, 2018

April 6, 2016
Makati City, Philippines

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

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

	Note	2015	2014
ASSETS			
Current assets			
Cash and cash equivalents	6	P43,960,526	P17,375,899
Receivables	7	2,747,379	5,093,452
Other current assets	8	173,274	130,511
Total current assets		46,881,179	22,599,862
Noncurrent assets			
Available-for-sale finacial assets	9	15,615,901	15,179,142
Held-to-maturity investments	10	75,678,366	75,678,366
Property and equipment, net	11	490,543	661,083
Total noncurrent assets		91,784,810	91,518,591
Total assets		P138,665,989	P114,118,453
LIABILITIES AND FUND BALANCE			
Current liabilities			
Trade and other payables	14	P330,032	P613,385
Liability on individual equity value	12	63,917,609	52,334,269
Aggregate reserve for trust liability	12	30,066,165	24,696,543
Basic contingent benefit reserve	12	164,503	163,969
Optional benefit reserve	12	763,668	598,233
Claims payable on basic contingent benefit	13	268,175	264,739
Total current liabilities		95,510,152	78,671,138
Noncurrent liability			
Retirement obligation	17	626,239	474,403
Total liabilities		96,136,391	79,145,541
FUND BALANCE			
Restricted balance	15	20,304,408	18,001,974
Unrestricted balance	15	22,225,190	16,970,938
Total fund balance		42,529,598	34,972,912
Total liabilities and fund balance		P138,665,989	P114,118,453

(The notes on pages 5 to 49 are integral part of these financial statements.)

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

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Note	2015	2014
Gross revenue			
Gross member's contribution	18	P29,420,648	P25,771,607
Gross premium	18	5,574,428	4,906,057
Membership fees	18	748,390	705,465
Miscellaneous income	18	371,207	232,689
Total gross revenue		P36,114,673	P31,615,818
Benefit expenses			
Benefit/claims expenses - BLIP		(5,693,005)	(5,202,934)
Benefit/claims expenses - CLIP		(1,208,419)	(1,054,639)
Allocation for liability on individual equity		(15,292,036)	(12,887,094)
Increase/(decrease) in reserve for basic contingent fund		(3,971)	49,068
Increase/(decrease) in reserve for optional benefit		(165,435)	(198,260)
Increase/(decrease) in aggregate reserve for trust liability		(543,277)	(435,170)
Other expenses for members		(601,263)	(559,107)
Collection fees		(1,037,138)	(955,851)
Total benefit expense		(24,544,544)	(21,243,987)
Revenue before operating expense		11,570,129	10,371,831
Operating expenses	19	(6,658,438)	(5,697,104)
Revenue from operations		4,911,691	4,674,727
Finance income	4,6,10	4,102,617	3,378,670
Net revenue		9,014,308	8,053,397
Other comprehesive income (loss)			
Item that may be subsequently reclassified to profit or loss:			
Unrealized gain on AFS financial assets	9	436,759	129,503
Item that will not be reclassified to profit or loss:			
Actuarial gain (loss) on defined benefit obligation	17	(260,303)	70,525
Other comprehesive income for the year		176,456	200,028
Total comprehensive income		P9,190,764	P8,253,425

(The notes on pages 5 to 49 are integral part of these financial statements.)

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

STATEMENTS OF CHANGES IN FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Restricted fund balance (Note 15)	Unrestricted fund balance (Note 15)	Actuarial gain (loss) (Note 17)	Unrealized gain on available-for-sale financial assets	Total
Balance at January 1, 2014	P15,841,223	P11,892,451	(P59,461)	P49,639	P27,723,852
Net income for the year	3,203,227	4,850,170	-	-	8,053,397
Adjustment to fund balance	21,964	38,111	-	-	60,075
Other comprehensive income	-	-	70,525	129,503	200,028
Decrease in fund balance	(1,064,440)		-	-	(1,064,440)
Balance at December 31, 2014	18,001,974	16,780,732	11,064	179,142	34,972,912
Decrease in fund balance	(1,634,078)		-	-	(1,634,078)
Net income for the year	-	9,014,308	-	-	9,014,308
Other comprehensive income	-	-	(260,303)	436,759	176,456
Appropriations	3,936,512	(3,936,512)	-	-	-
Balance at December 31, 2015	P20,304,408	P21,858,528	(P249,239)	P615,901	P42,529,598

(The notes on pages 5 to 49 are integral part of these financial statements.)

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

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Note	2015	2014
Cash flows from operating activities			
Net revenue		P9,014,308	P8,053,397
Adjustments for:			
Depreciation	11	342,739	283,866
Retirement expense	17	185,221	183,667
Adjustment to fund balance		-	60,075
Finance income	4	(4,102,617)	(3,378,670)
Operating profit before working capital changes		5,439,651	5,202,335
(Increase) decrease in:			
Receivables	7	2,346,073	(2,125,610)
Other current assets	8	(42,763)	(77,663)
Increase (decrease) in:			
Trade and other payables	14	(283,353)	(580,703)
Basic contingent benefit reserve	12	534	37,747
Liability on individual equity value	12	11,583,340	10,407,702
Aggregate reserve for trust liability	12	5,369,622	5,157,259
Optional benefit reserve	12	165,435	198,260
Claims payable on basic contingent benefit		3,436	(86,816)
Cash generated from operations		24,581,975	18,132,511
Finance income received		4,102,617	3,378,670
Net cash provided by operating activities		28,684,592	21,511,181
Cash flows from investing activities			
Acquisition of property and equipment	11	(172,199)	(161,372)
Acquisition of available-for-sale financial assets	9	-	(8,000,000)
Acquisition of held-to-maturity investment	10	-	(10,016,366)
Net cash used in investing activities		(172,199)	(18,177,738)
Cash flows from financing activity			
Payment of retirement liability		(293,688)	-
Decrease in fund balance		(1,634,078)	(1,064,440)
Net cash used in financing activities		(1,927,766)	(1,064,440)
Net increase in cash and cash equivalents		26,584,627	2,269,003
Cash and cash equivalents			
January 1	6	17,375,899	15,106,896
December 31	6	P43,960,526	P17,375,899

(The notes on pages 5 to 49 are integral part of these financial statements.)

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

NOTES TO FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

NOTE 1- GENERAL INFORMATION

Kasagana-ka Mutual Benefit Association Inc. (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 nonstock, nonprofit entity 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 Association's registered office address, which is also its principal place of business, is located at #5 Don Francisco St., Don Enrique Heights Commonwealth Avenue, Brgy. Holy Spirit, Quezon City.

1.1 Approval of financial statements

The financial statements of the Association have been approved and authorized for issuance by the Board of Trustees (BOT) on April 6, 2016. The Association's General Manager, Silvida Antiquera was authorized by the BOT to sign for and on behalf of the BOT, to approve and cause the submission of the audited financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation and accounting policies

The principal accounting policies applied in the preparation of the Association's financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

Statement of compliance

The financial statements of the Association have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) as issued by the Financial Reporting Standards Council, and adopted by SEC.

Basis of measurement and presentation

The Association's financial statements have been prepared on a historical cost basis, except for available-for-sale (AFS) financial assets which have been measured at fair value.

Functional currency

The financial statements are prepared in Philippine Peso (P), which is the Association's functional and presentation currency. All values are rounded to the nearest peso, except when otherwise stated.

Use of judgments and estimates

The preparation of the financial statements in compliance with PFRS requires the use of certain critical accounting estimates. It also requires the Association's management to exercise judgment in applying the Association's accounting policies. The areas where significant judgments and estimates have been made in preparing the Association's financial statements and their effects are disclosed in Note 3.

Changes in accounting policies and disclosures

a. Standards and amendments effective before or on December 31, 2015

Amendments to PAS 19 - Defined Benefit Plans: Employee Contribution: The amendment to PAS 19 introduces a narrow scope amendment that:

a) provides a practical expedient for certain contributions from employees or third parties to a defined benefit plan, but only those contributions that are independent of the number of years of service
b) clarifies the treatment of contributions from employees or third parties to a defined benefit plan that are not subject to the practical expedient.

These are accounted for in the same way that the gross benefit is attributed in accordance with PAS 19.70. Contributions that are independent of the number of years of service include:

a) contributions that are based on a fixed percentage of salary
b) contributions of a fixed amount throughout the service period
c) contributions that are dependent on the employee's age.

Annual Improvement to PFRSs (2010 - 2012 Cycle)

PFRS 2 - Shared-based Payment: The definitions of vesting and market conditions have been clarified by separately defining a performance condition and a service condition, both of which were previously incorporated within the definition of a vesting condition without themselves specifically being defined.

PFRS 3 - Business Combination: The amendment clarifies that the classification of contingent consideration as either a liability or an equity instrument is on the basis of guidance in PAS 32 Financial Instruments: Presentation. Contingent consideration that is not classified as equity is required to be remeasured to fair value at each reporting date, with changes in fair value being reported in profit or loss.

PFRS 8 - Operating Segments: When operating segments have been aggregated in determining reportable segments, additional disclosures are required. These set out the judgements that have been made by management in applying the aggregation criteria in PFRS 8 Operating Segment that are used to assess whether the aggregated segments have similar economic characteristics. A further amendment clarifies that a reconciliation of total reportable segment assets is only required if a measure of segment assets is regularly provided to the chief operating decision maker.

PFRS 13 - Fair Value Measurement: The amendment clarifies that short-term receivables and payables with no stated interest rate can continue to be measured at the invoice amount without discounting, where the effect of discounting is immaterial. A previous amendment had suggested that an existing practical expedient that eliminated the need to discount those items had been removed.

PAS 16 - Property, Plant and Equipment and PAS 38 - Intangible Asset: The computation of accumulated depreciation when items of property, plant and equipment and intangible assets are revalued has been clarified. The net carrying amount of the asset is adjusted to the revalued amount and either:
a) the gross and accumulated depreciation/amortisation amounts are adjusted; or
b) accumulated depreciation/amortisation is eliminated against the gross carrying amount.

PAS 24 - Related Party Transactions: The amendment clarifies that an entity that provides key management personnel services to the reporting entity (or to the parent of a reporting entity) is a related party of the reporting entity. However, it is not necessary to analyze the total amount paid into the categories set out in PAS 24.17.

Annual improvements to PFRSs (2011 - 2013 Cycle)
PFRS 1 - First time adoption of PFRS: A first-time adopter is required to use accounting policies that comply with 'each PFRS effective at the end of an entity's first reporting period'. The Basis for Conclusions was amended to clarify that there is an option to use either:
a) the PFRSs that are mandatory at the end of that reporting period; or
b) one or more PFRSs that are not yet mandatory, if those PFRSs permit early adoption.

PFRS 3 - Business Combination: Certain consequential amendments were not made to PFRS 3 Business Combinations when PFRS 11 Joint Arrangements was issued. These have now been incorporated, meaning that:

a) the formation of all types of joint arrangement as defined in PFRS 11 Joint Arrangements are excluded from the scope of PFRS 3 Business Combinations; and
b) it is clarified that the scope exception applies only to the accounting by the joint arrangement in its own financial statements, and not the accounting by the parties to the joint arrangement for their interests.

PFRS 13 - Fair Value Measurement: PFRS 13 Fair Value Measurement contains an exception that permits the fair value of a group of financial assets and financial liabilities to be measured on a net basis (the 'portfolio exception'). The amendment clarifies that the portfolio exception applies to all contracts within the scope of the financial instruments standards, including certain contracts for the purchase or sale of non-financial items that are scoped into those standards.

PAS 40 - Investment Property: The amendment clarifies the interrelationship between PFRS 3 Business Combinations and PAS 40 Investment Property when determining whether the acquisition of an investment property constitutes an asset purchase or a business combination. It is noted that judgement is required based on the guidance in PFRS 3 Business Combinations and PAS 40.7-15, and that this judgement is separate from the question of distinguishing between investment property and owner occupied property.

b. New Standards and amendments effective after December 31, 2015

PFRS 9 Financial Instruments (2014): In July 2014 the PASB published PFRS 9 Financial Instruments (2014) which incorporated the final requirements on all three phases of the financial instruments projects - classification and measurement, impairment, and hedge accounting. The original version of PFRS 9, issued in 2009, introduced new criteria for the classification and measurement of financial assets to be measured at amortised cost. In order to qualify for amortised cost measurement, a two stage test is applied. Firstly, the entity's business model must be to collect the contractual cash flows from the asset, rather than selling it to realise its fair value. Secondly, the asset must have contractual cash flows which are comprised solely of the principal amount due plus interest on the principal amount outstanding (which is only time value plus a margin for credit risk), often referred to as 'SPPI'. Financial assets that pass those two tests are measured at amortised cost, with all others being measured at fair value. The criteria are applied to the assets as a whole, with the previous guidance in PAS 39 Financial Instruments: Recognition and Measurement for embedded derivatives no longer applying to financial assets.

PFRS 9 (2014) introduces amendments to the previously finalised classification and measurement requirements for financial assets. A third measurement category has also been added for debt instruments - FVTOCI. This new measurement category applies to debt instruments that meet the Solely Payments of Principal and Interest (SPPI) contractual cash flow characteristics test and where the entity is holding the debt instrument to both collect the contractual cash flows and to sell the financial assets. Additional application guidance was included to clarify the requirements for contractual cash flows of a financial asset to be regarded as giving rise to payments that are SPPI.

The classification and measurement requirements for financial liabilities were first added to PFRS 9 in 2010 and have been carried forward from PAS 39 largely unchanged, including a continuation of the requirement to separate embedded derivatives. However a significant change is that, if a financial liability is designated (under the option available in PFRS 9) as at fair value through profit or loss, changes in the fair value of that financial liability that are attributable to changes in the entity's own credit risk will typically be recorded in Other Comprehensive Income instead of profit or loss. This change has been made in order to prevent a deterioration in an entity's financial position (and hence credit status) resulting in gains being reported in profit or loss.

The existing guidance for derecognition of financial assets and liabilities has been carried forward from PAS 39 unchanged, with some improvements to disclosure requirements being added to PFRS 7 Financial Instruments: Disclosures.

For the impairment of financial assets, a new 'expected loss' model in PFRS 9 (2014) replaces the 'incurred loss' model in PAS 39. The new impairment requirements will affect all entities with financial assets that are not measured at fair value through profit or loss and are likely to bring significant changes. Provisions for trade receivables will need to be determined using a forward looking approach and, while for some entities the provisions may be relatively straightforward to calculate, the approach is significantly different and more complex in comparison to the incurred loss model, and new systems and processes may well be needed. For financial institutions the changes are likely to be very significant and require major changes to internal systems and processes in order to capture the required information.

The hedge accounting requirements of PFRS 9 are also significantly different from those set out in PAS 39, and are designed to align hedge accounting more closely with entities' risk management processes. In practice, it will be significantly more straightforward to apply hedge accounting under the new model and we expect that entities that have previously decided not to hedge account may do so in future.

The effective date of the fully completed version of PFRS 9 (2014) is for periods beginning on or after 1 January 2018 with retrospective application. Early application is permitted. If an entity's date of initial application (the start of the period in which PFRS 9 is adopted) is before 1 February 2015, there is a choice of which version of PFRS 9 to adopt (2009, 2010, 2013 or 2014). The 2009 version covered the classification and measurement of financial assets only, the 2010 version added the classification and measurement of financial liabilities and derecognition, and the 2013 version added hedge accounting.

In addition, there is an option to early adopt the 'own credit' provisions for financial liabilities measured at fair value through profit or loss (FVTPL) under the fair value option without any of the other requirements of PFRS 9. This option will remain available until 1 January 2018.

PFRS 15 Revenue from Contracts with Customers: In May 2014, the PASB published PFRS 15 Revenue from Contracts with Customers. The new Standard, which is fully converged with equivalent new US GAAP guidance issued at the same time, contains comprehensive guidance for accounting for revenue and will replace existing requirements which are currently set out in two existing standards (PAS 18 Revenue and PAS 11 Construction Contracts) and related interpretations (IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue - Barter Transactions Involving Advertising Services).

PFRS 15 contains significantly more prescriptive and precise requirements in comparison with existing PFRS. In future, revenue will be recognised from the application of the following five steps:

1. Identify the contract
2. Identify the performance obligation(s)
3. Determine the transaction price
4. Allocate the transaction price to each performance obligation
5. Recognise revenue when each performance obligation is satisfied.

The introduction of the new requirements means that for many entities the timing and profile of revenue recognition will change. In some areas the changes will be very significant and will require careful planning, including for commercial effects (such as compliance with bank covenants, performance based remuneration and business combinations).

PFRS 15 is effective for periods beginning on or after 1 January 2017, with early application permitted.

In May 2015 the PASB published Exposure Draft ED/2015/2 Effective Date of PFRS 15 which proposes to defer the effective date of PFRS 15 by one year to 1 January 2018. The reason for deferring the effective date is that additional changes to PFRS 15 will be proposed in the near future that stem from the discussions at the PASB and FASB Joint Transition Resource Group for Revenue Recognition (TRG). The comment deadline ended on 3 July 2015.

At its meeting on 22 July 2015, the PASB decided to defer the effective date of PFRS 15 Revenue from Contracts with Customers to periods beginning on or after 1 January 2018.

In addition the change will keep the effective date aligned with the equivalent US GAAP guidance. The FASB published Accounting Standards Update 2014-09 (ASU) on 29 April 2015, which proposes to defer the effective date of the new revenue standard by one year. At its meeting on 9 July 2015, the FASB affirmed its proposal to defer the effective date, the final ASU is expected to be published by the end of the third quarter of 2015.

PFRS 14 Regulatory Deferral Accounts: In January 2014, the PASB published PFRS 14 Regulatory Deferral Accounts. PFRS 14 is an interim standard, pending the outcome of the PASB's more comprehensive Rate-regulated Activities project, which was re-opened in September 2012.

In many countries, industry sectors (including utilities such as gas, electricity and water) are subject to rate regulation where governments regulate the supply and pricing. This can have a significant effect on the amount and timing of an entity's revenue. Some national GAAPs require entities that operate in industry sectors subject to rate regulation, to recognise associated assets and liabilities.

The scope of PFRS 14 is narrow, with this extending to cover only those entities that:
- Are first-time adopters of PFRS
- Conduct rate regulated activities
- Recognise associated assets and/or liabilities in accordance with their current national GAAP.

Entities within the scope of PFRS 14 have an option to apply their previous local GAAP accounting policies for the recognition, measurement and impairment of assets and liabilities arising from rate regulation, which would be termed regulatory deferral account balances.

PFRS 14 has an effective date of 1 January 2016, with early application permitted.

Amendments to PFRS 10 and PAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture: The amendments clarify the accounting for transactions where a parent loses control of a subsidiary, that does not constitute a business as defined in PFRS 3 Business Combinations, by selling all or part of its interest in that subsidiary to an associate or a joint venture that is accounted for using the equity method.

For the interest in the former subsidiary that has been sold to the associate or joint venture, the gain recognised is restricted to the amount that is attributable to the unrelated investors' interests in the associate or joint venture.

Any directly held retained interest in the former subsidiary is first remeasured to fair value. Gains and losses from the remeasurement are then recognised as follows:

- The retained interest is accounted for as an associate or joint venture using the equity method: The parent recognises the gain or loss in profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture. The remainder is eliminated against the carrying amount of the investment in the associate or joint venture
- The retained interest is accounted for at fair value in accordance with PFRS 9 Financial Instruments: The parent recognises the gain or loss in full in profit or loss.

c. Mandatory adoption for periods beginning on or after 1 January 2016.

Amendments to PFRS 10, PFRS 12 and PAS 28 - Investment Entities: Applying the Consolidation Exception: The amendments clarify a number of aspects of PFRS 10 Consolidated Financial Statements, PFRS 12 Disclosure of Interests in Other Entities and PAS 28 Interests in Associates and Joint Ventures in relation to the investment entities exception:

(i) **How intermediate parent entities should apply the general scope exemption from preparing consolidated financial statements provided by paragraph 4 of PFRS 10, when the ultimate parent is an investment entity**

The amendments clarify that so long as the entity's ultimate (or intermediate) parent produces financial statements that are in compliance with PFRS 10 (including an investment entity that accounts for its interests in all of its subsidiaries at fair value rather

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than consolidating them), the exemption is available to the intermediate parent entity from presenting its own consolidated financial statements (so long as the other criteria of PFRS 10.4(a) have been met).

(ii) **How an investment entity parent should account for a subsidiary that provides services related to its investment activities and is also itself an investment entity.**

The amendments clarify that an investment entity parent consolidates a subsidiary only when:
- The subsidiary is not itself an investment entity, and
- The subsidiary's main purpose is to provide services that relate to the investment entity's investment activities

(iii) **How PFRS 12 should be applied to an investment entity**

The amendments clarify that an investment entity that prepares financial statements in which all of its subsidiaries are measured at fair value through profit or loss (FVTPL) is required to present the disclosures relating to investment entities as required by PFRS 12.

(iv) **How a non-investment entity should account for its interests in any associates or joint ventures that are investment entities**

The amendments clarify that for an entity that is not itself an investment entity but has an interest in an associate or joint venture that is an investment entity, the non-investment entity may, when applying the equity method, retain the fair value measurement applied by the investment entity associate or joint venture to account for its own interests in its subsidiaries.

Amendments to PFRS 11 - Accounting for Acquisitions of Interests in Joint Operations: The amendments require an entity to apply all of the principles of PFRS 3 Business Combinations when it acquires an interest in a joint operation that constitutes a business as defined by PFRS 3.

The amendment also includes two new Illustrative Examples:
- Example 7: Accounting for acquisitions of interests in joint operations in which the activity constitutes a business
- Example 8: Contributing the right to use know-how to a joint operation in which the activity constitutes a business.

A consequential amendment has also been made to PFRS 1 First-time Adoption of International Financial Reporting Standards, to clarify that the exemption from applying PFRS 3 to past business combinations upon adoption of PFRS also applies to past acquisitions of interests in joint operations in which the activity of the joint operation constitutes a business, as defined in PFRS 3.

Amendments to PAS 1 - Disclosure Initiatives: The amendments to PAS 1 Presentation of Financial Statements are a part of a major initiative to improve disclosure requirements in PFRS financial statements.

The amendments being made to PAS 1 include:
- **Materiality:** Aggregation or disaggregation should not obscure useful information. Materiality applies to each of the primary financial statements, the notes and each specific disclosure required by PFRSs.
- **Line items in primary financial statements:** Additional guidance for the list of line items required to be presented in primary statements, in particular that it may be appropriate for these to be disaggregated, and new requirements regarding the use of subtotals.

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- **Notes to the financial statements:** Determination of the order of the notes should include consideration of understandability and comparability of financial statements. It has been clarified that the order listed in PAS 1.114(c) is illustrative only.
- **Accounting policies:** Removal of the examples in PAS 1.120 in respect of income taxes and foreign exchange gains and losses.

In addition, the following amendments to PAS 1 were made which arose from a submission received by the PFRS Interpretations Committee:
- **Equity accounted investments:** An entity's share of other comprehensive income will be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as single line items within those two groups.

Amendments to PAS 16 - Clarification of Acceptable Methods of Depreciation and Amortization: PAS 16 Property, Plant and Equipment has been amended to include guidance that prohibits the use of revenue-based methods of depreciation for items of property, plant and equipment. This is because the revenue generated by an activity that includes the use of an item of property, plant and equipment generally reflects factors other than the consumption of the economic benefits of the item. In addition, guidance for the depreciation amount and depreciation period, has been expanded to state that expected future reductions in the selling price of items produced by an item of property, plant and equipment could indicate technical or commercial obsolescence (and therefore a reduction in the economic benefits embodied in the item), rather than a change in the depreciable amount or period of the item. Mandatory adoption for periods beginning on or after 1 January 2016.

Amendments to PAS 38 - Clarification of Acceptable Methods of Depreciation and Amortization: Paragraphs 98A - 98C of PAS 38 Intangible Assets have been added to clarify that there is a rebuttable presumption that revenue-based amortisation is not appropriate, and that this can only be rebutted in limited circumstances where either:
- The intangible asset is expressed as a measure of revenue, or
- Revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

PAS 38.98B clarifies that, as a starting point to determining an appropriate amortisation method, an entity could determine the 'predominant limiting factor' inherent in the intangible asset, for example:
- A contractual term which specifies the period of time that an entity has the right to use an asset
- Number of units allowed to be produced
- Fixed total amount of revenue allowed to be received.

PAS 38.98C then clarifies that where an entity has identified that the achievement of a revenue threshold is the predominant limiting factor of an intangible asset, it may be possible to rebut the presumption that revenue-based amortisation is not appropriate.

Amendments to PAS 16 and PAS 41 - Agriculture: Bearer Plants: The amendments extend the scope of PAS 16 Property, Plant and Equipment to include bearer plants and define a bearer plant as a living plant that:
- Is used in the production process of agricultural produce,
- Is expected to bear produce for more than one period; and
- Has a remote likelihood of being sold (except incidental scrap sales).

The changes made result in bearer plants being accounted for in accordance with PAS 16 using either:
- The cost model, or
- The revaluation model.

The agricultural produce of bearer plants remains within the scope of PAS 41 Agriculture. The amendments include the following transitional reliefs for the purposes of their first time application:
- Deemed cost exemption
- Entities are allowed to use the fair value of the bearer plants at the beginning of the earliest period presented as the deemed cost.
- Disclosures
- Quantitative information describing the effect of the first time application as required by PAS 8.28(f) is not required for the current reporting period, but is required for each prior period presented.

Mandatory adoption for periods beginning on or after 1 January 2016

Amendments to PAS 27 - Equity Method in Separate Financial Statements: The amendments include the introduction of an option for an entity to account for its investments in subsidiaries, joint ventures, and associates using the equity method in its separate financial statements. The accounting approach that is selected is required to be applied for each category of investment.

Before the amendments, entities have either accounted for their investments in subsidiaries, joint ventures or associates at cost or in accordance with PFRS 9 Financial Instruments (or PAS 39 Financial Instruments: Recognition and Measurement for those entities that have yet to adopted PFRS 9). The option to present investments using the equity method result in the presentation of a share of profit or loss, and other comprehensive income, of subsidiaries, joint ventures and associates with a corresponding adjustment to the carrying amount of the equity accounted investment in the statement of financial position. Any dividends received are deducted from the carrying amount of the equity accounted investment, and are not recorded as income in profit or loss.

A consequential amendment has also been made to PAS 28 Investments in Associates and Joint Ventures, to avoid a potential conflict with PFRS 10 Consolidated Financial Statements for partial sell downs.

Annual Improvements to PFRS 2012 - 2014 Cycle
The purpose of Annual Improvements is to clarify guidance or wording in the standards, and to make corrections for unintended consequences, conflicts or oversights in the standards. Amendments were made to the following standards:

PFRS 5 Non-current Assets Held for Sale and Discontinued Operations - Change in methods of disposal: The amendment clarifies that the reclassification of an asset or disposal group from being held for sale to being held for distribution to owners, or vice versa, is considered to be a continuation of the original plan of disposal. Upon reclassification, an entity must apply the classification, presentation and measurement requirements of PFRS 5.

If an asset ceases to be classified as held for distribution to owners, the requirements of PFRS 5 for assets that cease to be classified as held for sale apply.

The amendment to PFRS 5 is required to be applied prospectively.

PFRS 7 Financial Instruments: Disclosures - Servicing contracts and the applicability of offsetting amendments in condensed interim financial statements

Servicing contracts
The PASB clarified the circumstances in which an entity has continuing involvement from the servicing of a transferred asset.

Continuing involvement exists if the servicer has a future interest in the performance of the transferred financial asset. Examples of situations where continuing involvement exists are where a transferor's servicing fee is:

- A variable fee which is dependent on the amount of the transferred asset that is ultimately recovered; or
- A fixed fee not paid in full because of non-performance of the transferred financial asset.

The amendment does not need to be applied for any period beginning before the annual period in which the entity first applies the amendments, as it might be impracticable for the fair values of servicing assets or liabilities to be determined retrospectively. However, the amendment is characterised in the transitional guidance as being applied retrospectively in accordance with PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. This is because there is a requirement to look back to past transactions to determine whether a servicing asset or liability needs to be disclosed.

A consequential amendment has been made to PFRS 1 First-time Adoption of International Financial Reporting Standards, in order that the same transitional provision applies to first time adopters.

Applicability of the offsetting amendments in condensed interim financial statements
A further amendment to PFRS 7 has clarified that the application of the amendment Offsetting Financial Assets and Financial Liabilities (Amendments to PFRS 7) issued in December 2011 is not explicitly required for all interim periods. However, it is noted that in some cases these disclosures may need to be included in condensed interim financial statements in order to comply with PAS 34 Interim Financial Reporting.

The amendment is required to be applied retrospectively in accordance with PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

PAS 19 Employee Benefits: Discount rate - regional market issue: The guidance in PAS 19 has been clarified and requires that high quality corporate bonds used to determine the discount rate for the accounting of employee benefits need to be denominated in the same currency as the related benefits that will be paid to the employee. Entities are required to apply the amendment from the earliest comparative period presented in the financial statements, with initial adjustments being recognised in retained earnings at the beginning of that period.

PAS 34 Interim Financial Reporting - Meaning of 'elsewhere in the interim financial report': The requirements of PAS 34.16A require additional disclosures to be presented either in the:

- Notes to the interim financial statements or
- Elsewhere in the interim financial report.

The amendment clarifies, that a cross-reference is required, if the disclosures are presented 'elsewhere' in the interim financial report, such as in the management commentary or the risk report of an entity. However, to comply with PAS 34.16A, if the disclosures are contained in a separate document from the interim report, that document needs to be available to users of the financial statements on the same terms and at the same time as the interim report itself.

The amendment to PAS 34 is required to be applied retrospectively in accordance with PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Mandatory adoption for periods beginning on or after 1 January 2016

2.2 Current versus noncurrent classification

The Association presents assets and liabilities in the statement of financial position based on current/noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash and cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as noncurrent. A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Association classifies all other liabilities as noncurrent.

2.3 Fair value measurement

The Association measures financial instruments at fair value at each reporting date. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 4.

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

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

The principal or the most advantageous market must be accessible to by the Association.

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

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

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

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 (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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 categorization (based on the lowest level input that is significant to the fair value measurement as a whole) 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 as explained above.

2.4 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i. Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss (FVPL), loans and receivables, held to maturity (HTM) investments, available-for-sale (AFS) financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Association commits to purchase or sell the asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

(a) Financial assets at FVPL

Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition at FVPL.

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by PAS 39. Financial assets at FVPL are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the statement of comprehensive income.

The Association has financial assets at FVPL as at December 31, 2015 and 2014 (note 4).

(b) Loans and receivables

This category is the most relevant to the Association. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognized in the statement of comprehensive income in finance costs for loans and in general and administrative expenses for receivables.

The category generally applies to cash and cash equivalents, receivables, trade and other payables, liability on individual equity value, aggregate reserve for trust liability, basic contingent benefit reserve, optional benefit reserve and claims payable on basic contingent benefit in the statement of financial position (Note 4).

(c) HTM investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as HTM when the Association has the positive intention and ability to hold them to maturity. After initial measurement, HTM investments are measured at amortized cost using the EIR, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance income in the statement of comprehensive income. The losses arising from impairment are recognized in the statement of comprehensive income in finance costs.

The Association has HTM investments as at December 31, 2015 and 2014 (note 4).

(d) AFS investments

AFS financial investments include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at FVPL. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income and credited in the AFS reserve until the investment is derecognized, at which time, the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of comprehensive income in finance costs. Interest earned while holding AFS financial investments is reported as finance income using the EIR method.

The Association evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Association is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Association may elect to reclassify these financial assets if the Association has the intent and ability to hold these assets for the foreseeable future or until maturity.

For a financial asset reclassified from the AFS category, the fair value at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of comprehensive income.

The Association has AFS financial assets as at December 31, 2015 and 2014 (Note 4).

Derecognition

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

a) the rights to receive cash flows from the asset have expired, or
b) the Association has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (i) the Association has transferred substantially all the risks and rewards of the asset, or (ii) the Association 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 rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Association continues to recognize the transferred asset to the extent of the Association's continuing involvement. In that case, the Association also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Association has retained.

Continuing involvement that takes the form of guarantee over transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Association could be required to pay.

ii. Impairment of financial assets

The Association assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Further disclosures relating to impairment of financial assets are also provided in Notes 3 and 5.

(a) Financial assets carried at amortized cost

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

The carrying amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the statement of comprehensive income. Interest income (recorded as finance income in the statement of comprehensive income) continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Association. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account.

(b) Financial assets carried at cost

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

(c) AFS investments

For AFS financial investments, the Association assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of comprehensive income - is removed from other comprehensive income and recognized in the statement of comprehensive income. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognized directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgment. In making this judgment, the Association evaluates among other factors the duration or extent to which the fair value of an investment is less than its cost.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of comprehensive income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of comprehensive income, the impairment loss is reversed through the statement of comprehensive income.

iii. Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL and other financial liabilities. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Association's financial liabilities comprise other financial liabilities, which include accrued expenses and other payables and policy and contract claims payable (Note 4).

Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

(a) *Financial liabilities at FVPL*

Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Association that are not designated as hedging instruments in hedge relationships as defined by PAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the statement of comprehensive income.

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in PAS 39 are satisfied.

The Association does not have any liabilities held for trading nor has it designated any financial liability as being at FVPL.

(b) Other financial liabilities

This is the category most relevant to the Association. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of comprehensive income.

This category generally applies trade and other payables, aggregate reserves and claims payable on basic contingent benefit (Notes 12, 13 and 14).

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. 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 the derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

iv. Classification of financial instruments between debt and equity

Financial instruments are classified as liability or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability is reported as expense or income.

v. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the asset and settle the liability simultaneously.

2.5 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 statement of comprehensive income.

2.6 Cash and cash equivalents

Cash includes cash on hand and in banks. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from dates of placements and that are subject to an insignificant risk of change in value.

2.7 Receivables

Receivables are amounts due from members for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Receivables are recognized initially at the transaction price and are subsequently measured at amortized cost using the EIR method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Association will not be able to collect all amounts due according to the original terms of the receivables.

Other receivables are also measured at initial recognition at transaction price. They are subsequently measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. Bad debts are written off when identified.

2.8 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.

2.9 Property and equipment

Property and equipment are initially measured at cost. At the end of each reporting period, items of property and equipment are measured at cost less any subsequent accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognized within provisions.

Subsequent expenditures relating to an item of property and equipment that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Association. All other subsequent expenditures are recognized as expense in the period in which those are incurred.

Depreciation is charged so as to allocate the cost of other assets less their residual values over their estimated useful lives using the straight-line method. Below is the estimated useful lives used for the depreciation of property and equipment:

Property classification	Estimated useful life
Furniture and fixtures	5 years
Office equipment	3 years
Computer equipment	3 years
Office improvement	3 years

Leasehold improvements are amortized over the estimated useful life of the office improvements.

Depreciation of these assets, on the same basis as other property assets, commences at the time the assets are ready for their intended use.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is charged to the statement of comprehensive income.

The estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and any impairment in value are removed from the accounts and any resulting gain or loss arising on the disposal or retirement of an asset, determined as the difference between the sales proceeds and the carrying amount of the asset, is recognized in the statement of comprehensive income.

2.10 Impairment of non-financial assets

The carrying amounts of the Association's non-financial assets such as property and equipment are reviewed at each financial reporting date to determine whether there is any indication of impairment or an impairment loss previously recognized no longer exists or may have decreased. If any such indication exists, the Association makes a formal estimate of the asset's recoverable amount.

The recoverable amount is the higher of an asset or its cash generating unit's (CGU) fair value less costs to sell and its value in use. The fair value less costs to sell is the amount obtainable from the sale of the asset in an arm's length transaction. 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 cash flows independent of those from other assets, the recoverable amount is determined for the CGU to which the asset belongs.

Whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount and an impairment loss is recognized in the statement of comprehensive income.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized. Reversals of impairment are recognized in the statement of comprehensive income.

2.11 Accrued expenses and other payables

Accrued expenses and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accrued expenses and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer); otherwise, they are presented as noncurrent liabilities. These are measured initially at fair value and subsequently measured at amortized cost using the EIR method.

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. It is necessary to estimate the amount of accrued expenses, however, the uncertainty is generally much less than for provision.

Other payables pertain to government dues and remittances.

Government dues and remittances include withholding income taxes which represent taxes retained by the Association for an item of income required to be remitted to the BIR within one (1) month. The obligation of the Association to deduct and withhold the taxes arises at the time the income payment is paid or payable, or the income payment is accrued or recorded as an expense or asset, whichever comes first. The term "payable" refers to the date the obligation becomes due, demandable, or legally enforceable.

Accrued expenses and other payables are recognized initially at fair value and subsequently measured at amortized cost using the EIR method.

2.12 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.

2.13 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.

2.14 Liability on individual fund 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.

2.15 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.

2.16 Claims payable on basic contingent fund

Claims payable on basic contingent fund 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.

2.17 Retirement obligation

Pursuant to the provision of the Republic Act 7641, all companies are required to provide retirement benefits to all their employees, except when the Association has less than 10 employees. This employment benefit plan is a defined benefit plan because the entity's obligation is to provide specific level of benefit for every year of services.

(a) Pension obligations

A defined contribution plan is a pension plan under which the Association pays fixed contributions into a separate entity. The Association has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability or asset recognized in the statement of financial position in respect of defined benefit pension plans 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.

Defined 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 the statement of income. 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 the statement of income.

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.

The cumulative gains or losses arising from the remeasurements are shown as a separate line item in the statement of financial position as "remeasurement of retirement benefits obligation".

(b) Profit-sharing and bonuses

The Association recognizes a liability and expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Association's shareholders after certain adjustments. The Association recognizes a provision where contractually obliged or where there is a practice that has created a constructive obligation.

2.18 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.

2.19 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 presented in the statement of comprehensive income, net of any reimbursement.

Contingent liabilities are not recognized in the Association's financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized in the Association's financial statements but disclosed in the notes to Association's financial statements when an inflow of economic benefits is probable.

2.20 Revenue recognition

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

The funds of the Association are derived from membership fees, periodic dues, weekly contributions collected from members and income from interest on savings and investments.

Premiums on policies issued directly by the Association are recognized on the effective date of the title policy.

Contribution and fees

Members are charged a one-time thirty pesos (P30.00) application fee for KDCI members and one hundred pesos (P100) 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 (P20.00) 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 meets its benefit obligations or commitments under the pain.

Finance 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. Interest income is included in "Finance income" in the statement comprehensive of income.

Other income

Income from other sources is recognized when earned.

2.21 Benefit and other expense recognition

Benefit and other expenses are recognized in the statement of comprehensive income 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: 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.

2.22 Related parties

Parties are considered related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Individuals, associates or companies that directly or indirectly control or are controlled by or under common control with the Association are considered related parties. The key management personnel of the Association are also considered to be related parties.

2.23 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.

2.24 Events after the financial reporting date

Post year-end events up to the date the financial statements were authorized for issuance that provide additional information about the Association's position at financial reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements, when material.

NOTE 3 - CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the financial statements in conformity with PFRS requires the Association's management to make estimates, assumptions and judgments that affect the amounts reported in the financial statements.

The estimates and associated assumptions are based on historical experiences and other various factors that are believed to be reasonable under the circumstances including expectations of related future events, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates, assumptions and judgments are reviewed and evaluated on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Judgments

In the process of applying the accounting policies, management has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognized in the financial statements.

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Determination of functional currency

The Association has determined that its functional currency is Philippine Peso. The determination of functional currency was based on the primary economic environment in which the Association generates and expends cash.

Classification of financial instruments

The Association classifies 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 agreement and the guidelines set by PAS 39 on the definitions of a financial asset, a financial liability or equity. In addition, the Association also determines and evaluates its intention and ability to keep the investments until its maturity date.

The substance of a financial instrument, rather than its legal form, and the management's intention and ability to hold the financial instrument to maturity generally governs its classification in the statement of financial position.

The classification of financial assets and liabilities is presented in Note 4.

Determination of fair value of financial instruments

The Association determines significant components of fair value measurement using verifiable objective evidence (i.e., foreign exchange rates, interest rates, and volatility rates), timing and the amount of changes in fair value would differ if the Association utilized a different valuation methodology. Any changes in fair value of these financial assets and financial liabilities would affect profit and loss and equity.

Fair value of financial assets and liabilities as at December 31, 2015 and 2014 amounted to P138,002,172 and P113,326,859 and P95,510,152 and P78,664,761 respectively, as disclosed in Note 4.

Estimates and assumptions

Estimation of useful lives of property and equipment

The Association reviews annually the estimated useful lives of property and equipment based on the period over which the assets are expected to be available for use. It is possible that future results of operations could be materially affected by changes in these estimates. A reduction in the estimated useful lives of property and equipment would increase recorded depreciation expense and decrease the related asset accounts. The estimated useful lives of property and equipment are discussed in Note 2.9 to the financial statements, which showed no changes in 2015 and 2014.

The Association has entered into leases with various lessors. Based on the evaluation of the terms and conditions of the arrangements, all the significant risks and benefits of ownership of the properties remain with the lessor. Accordingly, the Association accounted for the leases as operating leases.

Impairment of financial assets

The Association assesses impairment on financial assets whenever events or changes in circumstances indicate that the carrying amount of financial asset may not be recoverable. The determination of impairment losses for financial assets requires material estimates, including the amount and timing of expected recoverable future cash flows. These estimates may change significantly from time to time, depending on available information.

Management believes that the carrying amounts of financial assets approximate their recoverable amounts.

Impairment of non-financial assets

The Association assesses at the end of each reporting date whether there is an indication that the carrying amounts of all non-financial assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Association makes an estimate of the asset's recoverable amount. At the end of each reporting date, the Association assesses 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.

Management has reviewed the carrying values of the Association's non-financial assets as at December 31, 2015 and 2014 for impairment. Based on the management's assessment, there were no indications that the non-financial assets were impaired, thus no impairment loss was recognized for the years ended December 31, 2015 and 2014.

Estimation of liability for retirement benefits

The determination of the Company's obligation and cost of pension and other pension benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts Those assumptions are described in Note 2 and include, among others, discount rate and salary increase rate.

In accordance with PFRS, actual results that differ from the assumptions used are accumulated and amortized over future period and therefore, generally affect the recognized expense and recorded obligation in such future periods.

Based on the actuarial valuation, the pension liability amounted to P626,239 and P474,403 as of December 31, 2015 and 2014, respectively (Note 17).

NOTE 4 - FINANCIAL INSTRUMENTS

The following table sets forth the carrying value of financial instruments held by category:

	2015		2014	
	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial assets				
Loans and receivables				
Cash and cash equivalents (Note 6)	P43,960,526	P43,960,526	P17,375,899	P17,375,899
Receivables (Notes 7)	2,747,379	2,747,379	5,093,452	5,093,452
Available-for-sale financial assets (Note 9)	15,615,901	15,615,901	15,179,142	15,179,142
Held-to-maturity investments (Note 10)	75,678,366	75,678,366	75,678,366	75,678,366
	P138,002,172	P138,002,172	P113,326,859	P113,326,859

Financial liabilities				
Other financial liabilities:				
Trade and other payables* (Note 14)	P330,032	P330,032	607,008	607,008
Liability on individual equity value (Note 12)	63,917,609	63,917,609	52,334,269	52,334,269
Aggregate reserve for trust liability - RF (Note 12)	30,066,165	30,066,165	24,696,543	24,696,543
Basic contingent benefit reserve (Note 12)	164,503	164,503	163,969	163,969
Optional benefit reserve (Note 12)	763,668	763,668	598,233	598,233
Claims payable on basic contingent benefit (Note 13)	268,175	268,175	264,739	264,739
	P95,510,152	P95,510,152	P78,664,761	P78,664,761

*except government liabilities

The carrying amounts of cash and cash equivalents, receivables, available for sale investment, held-to-maturity investment, trade and other payables, liability on individual equity value, aggregate reserve for trust liability, basic contingent benefit reserve and claims payable on basic contingent benefit approximate its fair values due to the relatively short-term maturities of the financial instruments.

Items of income, expense, gains or losses recognized from financial instruments are as follows:

	2015	2014
Finance income (Note 6 and 10)	P4,102,617	P3,378,670
Unrealized gain on change in fair value of Available-for-sale (Note 9)	615,901	179,142
	P4,718,518	P3,557,812

NOTE 5 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

General objectives, policies and processes

The BOT has overall responsibility for the determination of the Association's risk management objectives and policies and, while retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Association's finance function. The BOT receives monthly reports from the Association's Finance Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the BOT is to set polices that seek to reduce risk as far as possible without unduly affecting the Association's competitiveness and flexibility.

Financial risk management objectives and policies

The Association is exposed to a variety of financial risks, which result from its operating, investing and financing activities. The Association's principal financial instruments comprise of Cash and cash equivalents, receivables, available-for-sale financial assets, held-to-maturity investments, liability on individual equity value, aggregate reserve for trust liability, basic contingent benefit reserve, optional benefit reserve, claims payable on basic contingent benefit and accrued and other payables. The main purpose of these financial instruments is to raise finance for the Association's operations. The Association has various other financial assets and liabilities which arise directly from operations.

Association policies and guidelines cover credit risk, market risk and liquidity risk. The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Association's results and financial position. The Association actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties principles.

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' 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:

	2015	2014
Cash in bank(Note 6)	P43,953,526	P17,368,899
Receivables (Note 7)	2,747,379	5,093,452
Available-for-sale financial assets (Note 9)	15,615,901	15,179,142
Held-to-maturity investments (Note 10)	75,678,366	75,678,366
	P138,002,172	P113,319,859

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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, 2015						
		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
Cash in banks (Note 6)	P43,953,526	P43,953,526	P-	P-	P-	P-	P-
Receivables (Note 7)	2,747,379	2,747,379	-	-	-	-	-
Available-for-sale financial assets (Note 9)	15,615,901	15,615,901	-	-			
Held-to-maturity investments (Note 10)	75,678,366	75,678,366	-	-	-	-	-
	P138,002,172	P138,002,172	P-	P-	P-	P-	P-

	December 31, 2014						
		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
Cash in banks(Note 6)	P17,368,899	P17,368,899	P-	P-	P-	P-	P-
Receivables (Note 7)	5,093,452	5,093,452	-	-	-	-	-
Available-for-sale financial assets (Note 9)	15,179,142	15,179,142	-	-			
Held-to-maturity investments (Note 10)	75,678,366	75,678,366	-	-	-	-	-
	P113,319,859	P113,319,859	P-	P-	P-	P-	P-

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, 2015 and 2014:

	2015						
	Neither Past Due nor Impaired				Past Due but Not Impaired	Impaired	Total
	High Grade	Standard Grade	Substandard Grade	Unrated			
Cash in banks (Note 6)	P43,953,526	P-	P-	P-	P-	P-	P43,953,526
Receivables (Note 7)	2,747,79	-	-	-	-	-	2,747,79
Available-for-sale financial assets (Note 9)	15,615,901	-	-	-	-	-	15,615,901
Held-to-maturity investments (Note 10)	75,678,366	-	-	-	-	-	75,678,366
	P138,002,172	P-	P-	P-	P-	P-	P138,002,172

	2014						
	Neither Past Due nor Impaired				Past Due but Not Impaired	Impaired	Total
	High Grade	Standard Grade	Substandard Grade	Unrated			
Cash in banks (Note 6)	P17,368,899	P-	P-	P-	P-	P-	P17,368,899
Receivables (Note 7)	5,093,452	-	-	-	-	-	5,093,452
Available-for-sale financial assets (Note 9)	15,179,142	-	-	-	-	-	15,179,142
Held-to-maturity investments (Note 10)	75,678,366	-	-	-	-	-	75,678,366
	P113,319,859	P-	P-	P-	P-	P-	P113,319,859

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, 2015				
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Trade and other payables (Note 14)	P330,032	P-	P-	P-	P330,032
Liability on individual equity value (Note 12)	63,917,609	-	-	-	63,917,609
Aggregate reserve for trust liability (Note 12)	30,066,165	-	-	-	30,066,165
Basic contingent benefit reserve (Note 12)	164,503	-	-	-	164,503
Optional benefit reserve (Note 12)	763,668	-	-	-	763,668
Claims payable on basic contingent benefit (Note 13)	268,175	-	-	-	268,175
	P95,510,152	P-	P-	P-	P95,510,152

	December 31, 2014				
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Trade and other payables (Note 14)	P607,008	P-	P-	P-	P607,008
Liability on individual equity value (Note 12)	52,334,269	-	-	-	52,334,269
Aggregate reserve for trust liability (Note 12)	24,696,543	-	-	-	24,696,543
Basic contingent benefit reserve (Note 12)	163,969	-	-	-	163,969
Optional benefit reserve (Note 12)	598,233	-	-	-	598,233
Claims payable on basic contingent benefit (Note 13)	264,739	-	-	-	264,739
	P78,664,761	P-	P-	P-	P78,664,761

Market risks

Market risk refers to the risk that changes in market prices, such as foreign exchange rates, interest rates and other market prices will affect the Association's income or the value of its holdings of financial statements. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Association is subject to various market risks, including risks from changes in interest. There has been no change to the Association's exposure to market risks or the manner in which it manages and measures the risk.

Interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

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 (deficit).

	2015	2014
Debt	P96,136,391	P79,145,541
Cash and cash equivalents(Note 6)	(43,960,526)	(17,375,899)
Net Debt	P52,175,865	61,769,642
Equity	42,529,598	34,966,313
Net debt to equity ratio	1.23	1.77

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 P500,000 or P2.00 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 of December 31, 2015 and 2014, the Association's MOS based on its calculations amounted to P125, 165,141 and P101, 929,437, 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:

	2015	2014
Admitted Assets	P137,944,262	P113,253,996
Admitted Liabilities	98,259,211	79,145,541
Net worth	P39,685,051	P34,108,455

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As of December 31, 2015 and 2014, 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:

	2015	2014
Receivables	P128,526	P177,124
Office furniture and fixture	130,484	65,639
Transportation equipment	283,290	453,265
Office improvement	3,152	37,829
Other current assets	173,274	130,512
Total non-admitted assets	P718,726	P864,369

If an insurance Association failed 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.

Guaranty fund

As a mutual benefit association, the IC also requires the Association to possess a guaranty fund of P5.00 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 P125.00 million. As of December 31, 2015 and 2014 the Association has a total of P 18,060,420 representing guaranty fund which is deposited with the IC.

NOTE 6 - CASH AND CASH EQUIVALENTS

The account consists of:

	2015	2014
Cash on hand	P7,000	P7,000
Cash equivalents	15,185,096	9,145,736
Cash in bank	28,768,430	8,223,163
	P43,960,526	P17,375,899

Cash and cash equivalents earn interest at the prevailing bank deposit rates. Interest earned in 2015 and 2014 amounted to P97,787 and P106,223, respectively.

NOTE 7 - RECEIVABLES

The account consists of:

	2015	2014
Unremitted member's contribution dues and fees	P1,757,953	P3,848,851
Unremitted premiums	400,533	616,414
Due from officers and employees	50,075	67,381
Receivable KDCI Inc.	29,287	33,824
Advances to employees	20,469	21,231
Other receivable	489,062	505,751
	P2,747,379	P5,093,452

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

Other receivables represent accrued interest income on BLIP and CLIP.

Based on management's evaluation, the Association's receivables are fully collectible, thus, no allowance for impairment is necessary as at December 31, 2015 and 2014.

Management believes that the carrying amounts of receivables approximate its fair values.

NOTE 8 -OTHER CURRENT ASSETS

Other current assets consist of prepaid expenses and unused supplies amounting to P173,274 and P130,511 as at December 31, 2015 and 2014, respectively.

NOTE 9 -AVAILABLE-FOR-SALE FINANCIAL ASSETS

The account consists of:

	No. of Shares	Acquisition Cost	Fair Value 2015
Petron preferred shares series 2A	8,000	P8,000,000	8,560,000
Save and learned fixed income fund	2,348,914	5,000,000	5,181,470
Sun life prosperity GS fund	1,229,861	2,000,000	1,874,431
		P15,000,000	P15,615,901

	No. of Shares	Acquisition Cost	Fair Value 2014
Petron preferred shares series 2A	8,000	P8,000,000	P8,160,000
Save and learned fixed income fund	2,348,914	5,000,000	5,134,256
Sun life prosperity GS fund	1,229,861	2,000,000	1,884,886
		P15,000,000	P15,179,142

Unrealized gain recognized in the statement of comprehensive income in 2015 and 2014 amounted to P436,759 and P129,503, respectively.

NOTE 10 -HELD-TO-MATURITY INVESTMENTS

The Account consists of:

	2015	2014
Government Security	P61,178,366	P61,178,366
Corporate Bond	14,500,000	14,500,000
	P75,678,366	P75,678,366

Interest earned in 2015 and 2014 amounted to P4,004,830 and P3,272,447 respectively.

NOTE 11 - PROPERTY AND EQUIPMENT, NET

The account consists of:

	Transportation Equipment	Office Improvements	Computer Equipment	Office furniture and Fixture	Total
Cost					
At January 1, 2014	P849,872	P-	P331,423	P259,873	P1,441,168
Additions during the year	-	37,829	83,600	39,943	161,372
At December 31, 2014	849,872	37,829	415,023	299,816	1,602,540
Additions during the year	-	-	48,720	123,479	172,199
At December 31, 2015	**849,872**	**37,829**	**463,743**	**423,295**	**1,774,739**
Accumulated depreciation					
At January 1, 2014	230,796	-	231,305	195,490	657,591
Depreciation during the year (Note 19)	165,810	-	79,368	38,688	283,866
At December 31, 2014	396,606	-	310,673	234,178	941,457
Depreciation during the year (Note 19)	169,974	34,677	79,454	58,634	342,739
At December 31, 2015	**566,580**	**34,677**	**390,127**	**292,812**	**1,284,196**
Net book value					
At December 31, 2015	**P283,292**	**P3,152**	**P73,616**	**P130,483**	**P490,543**
At December 31, 2014	P453,266	P37,829	P104,350	P65,638	P661,083

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 Association has no contractual commitment for the acquisition of property and equipment.

There are no fully depreciated assets still being used in the operation of the Association.

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.

NOTE 12 - AGGREGATE RESERVES

The account consists of:

	2015	2014
Liability on individual equity value	P63,917,609	P52,334,269
Aggregate reserve for trust liability - RF	30,066,165	24,696,543
Basic contingent benefit reserve	164,503	163,969
Optional benefit reserve	763,668	598,233
	P94,911,945	P77,793,014

Liability on individual equity value represents the total amount of obligations set up by the MBA 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, 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.

NOTE 13 - CLAIMS PAYABLE ON BASIC CONTINGENT BENEFIT

The account consists of incurred but not reported claims amounting to P268,175 and P264,739 as at December 31, 2015 and 2014, respectively.

NOTE 14 - TRADE AND OTHER PAYABLES

The account consists of:

	2015	2014
Accrued expenses	P94,875	P172,500
Accounts payable - Malayan	58,830	139,010
Accounts payable - KEEPF, Ass'n. In	56,740	39,216
Accounts payable - KDCI	51,050	123,710
Accounts payable - K- Kalinga Agent	14,622	17,537
Accounts payable - bond (staff)	-	80,900
Other payables	53,912	40,512
	P330,032	P613,385

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

Other payables pertain to government dues and remittances. Government dues and remittances 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.

Management believes that the carrying amounts of accrued and other payables approximate fair values.

NOTE 15 - 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 MBA reduced by whatever losses the Association may incur during a certain accounting period.

	Restricted fund balance	Unrestricted fund balance	Total
Balance at January 1, 2014	15,841,223	11,882,629	27,723,852
Movement during the year	2,160,751	5,088,309	7,249,060
Balance at December 31, 2014	P18,001,974	P16,970,938	P34,972,912
Movement during the year	**2,302,434**	**5,254,252**	**7,556,686**
Balance at December 31, 2015	**P20,304,408**	**P22,225,190**	**P42,529,598**

Restricted fund composed of Guaranty fund and Education and training fund. 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 Kasagana-ka Development center that represents collection fees.

A Mutual Benefit association 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 mutual benefit association 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 of and for the year ended December 2015 the K-MBA's excess in Unrestricted Fund Balance from twenty percent (20%) of liabilities are as follows:

Unrestricted Fund Balance	Total liabilities	20% of Liabilities	Excess of Unrestricted Fund Balance from 20% of Liabilities
As of and for the year ended December 31, 2015			
P21,858,528	P95,510,152	P19,102,030	P2,756,498
As of and for the year ended December 31, 2014			
P16,780,372	P79,145,541	P15,829,108	P951,624

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NOTE 16 - 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.

Name of related party	Relationship	Nature of the related party transaction
Kasagana-ka Development Center	Microfinance partner	Funds Assigned for Member's Benefits (Fund Balance Account)

The following summarizes the Association's related party transactions:

Unremitted Contribution Dues and Fees	2014	Additions during the year	Payment / Collections	2015
As of and for the year ended December 31, 2015				
Affiliate				
Kasagana-Ka Development Center Inc.	P3,848,851	P6,462,602	P8,553,500	P1,757,953

Unremitted Premiums	2014	Additions during the year	Payment / Collections	2015
As of and for the year ended December 31, 2015				
Affiliate				
Kasagana-Ka Development Center Inc.	P616,413	P1,110,702	P1,326,582	P400,533

Details of the Association's related party transactions follow:

a. K-MBA will collect from KDCI members' contributions on member certificates that will be remitted at the end of the financial reporting period.

b. K-MBA will collect from KDCI 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:

	2015	2014	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	P1,757,953	P3,848,851	Demandable	Unsecured	Cash	None	None
Unremitted Premiums	400,533	616,413	Demandable	Unsecured	Cash	None	None

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NOTE 17 - RETIREMENT OBLIGATION

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.

In 2014, the Association engaged Asian Actuaries, Inc. to prepare an actuarial valuation of the Association's retirement liability. The actuarial report is dated March 10, 2015 covering valuation dates period January 1, 2014 to December 31, 2014. The effects of the valuation are shown below.

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

	2015	2014
Present value of the obligation	P626,239	P474,403

The retirement benefits expense recognized in the statements of comprehensive income as follows:

	2015	2014
Current service cost	P107,902	P161,630
Past service cost	53,344	-
Interest cost	23,975	22,037
	P185,221	P183,667

a. Reconciliation of defined benefit obligation

The movement in the defined benefit obligation is as follows:

	2015	2014
Present value of the obligation at January 1	P474,403	P361,261
Current service cost	107,902	161,630
Past service cost	53,344	-
Interest cost	23,975	22,037
	185,221	183,667
Remeasurements in other comprehensive income		
Loss (gain) in defined benefit obligation from changes in financial assumptions	260,303	(103,024)
Loss in defined benefit obligation due to experience	-	32,499
	260,303	(70,525)
Contributions paid	(293,688)	-
Present value of the obligation at December 31	P626,239	P474,403

b. Remeasurements in other comprehensive income

Remeasurements in other comprehensive income represent actuarial gains and losses which are presented at net of related deferred tax as shown below:

	2015	2014
Actuarial loss(gain) recognized	P260,303	(P70,525)
Deferred tax	-	-
Actuarial loss(gain) recognized, net	P260,303	(P70,525)

c. Actuarial assumptions

The significant actuarial assumptions were as follows:

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

	2015	2014
Discount rate	5.14%	5.05%
Expected rate of salary increases	5%	5%

NOTE 18 - REVENUE

The account consists of:

	2015	2014
Gross member's contribution	P29,420,648	P25,771,607
Gross premium	5,574,428	4,906,057
Membership fees	748,390	705,465
Miscellaneous income	371,207	232,689
	P36,114,673	P31,615,818

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

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NOTE 19 - OPERATING EXPENSES

The account consists of:

	2015	2014
Salaries, wages and benefits	P2,816,283	P2,486,813
Representation and entertainment	594,797	651,695
Transportation and travel allowance	413,509	345,444
Professional and technical development	397,529	138,099
Office supplies	365,453	303,401
Depreciation (Note 11)	342,739	283,867
Social and community service	300,000	190,000
Technical and professional fees	211,695	200,809
Taxes, licenses and fees	207,658	109,848
Meeting and conferences	199,547	66,592
Monitoring	191,655	147,482
Research and development	186,815	170,735
Post employment benefit cost (Note 17)	185,221	183,667
Marketing, advertising and promotions	79,445	45,150
Utilities	74,557	95,698
Repairs and maintenance	30,105	47,631
Reinsurance premium	13,200	11,250
Donations and contributions	4,000	141,969
Insurance	3,966	8,724
Medicine	3,710	8,888
Bank and other charges	1,400	800
Miscellaneous	35,154	58,542
	P6,658,438	P5,697,104

NOTE 20 - 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.

NOTE 21 - 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.

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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, 2015 and 2014.

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

   The Association's revenues were not subject to Value Added Tax for years ended December 31, 2015 and 2014.

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 2015 and 2014 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 2015 and 2014 which are subject to excise tax.

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

   The Association did not have any transactions in 2015 and 2014 which are subject to documentary stamp tax.

6. **Taxes and licenses**

a. Local	
Supervision Fee	P25,250
AS Filing fee	20,200
Business Permit	10,315
ROSS	12,000
IC License	90,900
Fidelity Bond	12,993
MIMAP	25,000
SEC Late Filing Fee	10,500
b. National	
BIR Annual Registration	500
	P207,658

7. **Withholding taxes**

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

   a. Withholding tax on salaries P143,131

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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 covering the taxable year December 31, 2015 amounting to NIL, inclusive of penalties, for deficiency income/VAT/Percentage/withholding tax, which has been protested/agreed upon.

9. **Tax cases, and amounts involved, under preliminary investigation, litigation and/or prosecution in courts or bodies outside the BIR**

The Association has no RATE case under preliminary investigation of the Dept. of Justice (DOJ) involving deficiency income tax for taxable year 2015 amount to NIL.

B. REVENUE REGULATIONS NO. 19-2011

RR No. 19-2011 was issued on December 9, 2011 to prescribe the new BIR forms that will be used for Income Tax filing covering and starting with Calendar Year 2011, and to modify Revenue Memorandum Circular No. 57-2011. Pursuant to Section 244 in relation to Sections 6(H), 51(A)(1), and 51(A)(2) of the National Internal Revenue Code of 1997 (Tax Code), as amended, these Regulations prescribed to revise BIR Form Nos. 1700, 1701 and 1702 to reflect the changes in information requested from the said BIR Forms and to enable the said forms to be read by an Optical Character Reader. Under the Guidelines and Instructions of BIR Form No. 1702 - Page 4, the following schedules are prescribed under existing revenue issuances which must form part of the Notes to the Audited Financial Statements:

1. **Revenue**

	Exempt	Regular rate
Gross Member's Contribution	P29,420,648	P-
Gross Premium	5,574,428	-
Membership Fees	748,390	-
Miscellaneous Income	371,207	-
	P36,114,673	-

2. **Benefit expense**

	Exempt	Regular rate
Benefit/claims expenses - BLIP	P5,693,005	P-
Benefit/claims expenses - CLIP	1,208,419	-
Allocation for liability on individual equity	15,292,036	-
Increase/(decrease) in reserve for basic contingent fund	3,971	-
Increase/(decrease) in reserve for optional benefit	165,435	-
Other expenses for members	1,144,540	-
Collection fees	1,037,138	-
Total benefit expense	P24,544,544	P-

The Association does not have expenses arising from revenue subject to regular rate tax.

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3. **Non-Operating and Taxable Other Income**

The Association did not have any other income in 2015 and 2014 which are subject to tax.

4. **Taxes and licenses**

a. Local	
Supervision Fee	P25,250
AS Filing fee	20,200
Business Permit	10,315
ROSS	12,000
IC License	90,900
Fidelity Bond	12,993
MIMAP	25,000
SEC Late Filing Fee	10,500
b. National	
BIR Annual Registration	500
	P207,658

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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Members and the Board of Trustees
Kasagana-Ka Mutual Benefit Association, Inc.
#5 Don Francisco St., Don Enrique Heights
Commonwealth Avenue, Brgy. Holy Spirit, Quezon City

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Kasagana-Ka Mutual Benefit Association, Inc. as at and for the years ended December 31, 2015 and 2014 included in this Audited Financial Statements (AFS) and have issued our report thereon dated April 6, 2016. Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to Financial Statements and Supplementary Schedules in this AFS are presented for purposes of complying with the Securities Regulation Code (SRC) Rule 68, As Amended, and the Securities and Exchange Commission (SEC) Memorandum Circular No. 11, Series of 2008 and are not part of the basic financial statements. Such schedules are the responsibility of management. The schedules have 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.

ALBA ROMEO & CO.

Leticia C. Tagle
Partner
CPA Certificate No. 0017358
Tax Identification No. 123-048-280
PTR No. 5358086, issued on January 26, 2016, Makati City
BOA/PRC Accreditation No. 0005, issued on December 1, 2015
effective until December 31, 2018
SEC Accreditation No. PA-A-733-A (Individual), Conditional Group A
issued on February 3, 2016, effective until June 3, 2016
SEC Accreditation No. 0007-FR-4 (Firm), Group A, issued on July 16, 2015
effective until July 15, 2018
BIR Accreditation No. 08-001682-6-2014, issued on January 5, 2015
effective until January 4, 2018

April 6, 2016
Makati City, Philippines

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KASAGANA-KA MUTUAL BENEFIT ASSOCIATION INC.

SCHEDULE OF STANDARDS AND INTERPRETATIONS

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics				
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards		✓		
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
PFRS 8	Operating Segments			✓
PFRS 9*	Financial Instruments	✓		

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PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures			✓
PFRS 10*	Consolidated Financial Statements			✓
PFRS 11*	Joint Arrangements			✓
PFRS 12*	Disclosure of Interests in Other Entities			✓
PFRS 13*	Fair Value Measurement	✓		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures			✓
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the **Reporting Period**	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
PAS 19 (Amended)*	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27	**Consolidated and Separate Financial Statements**			✓
PAS 27 (Amended)*	Separate Financial Statements			
PAS 28	Investments in Associates			
PAS 28	Investments in Associates and Joint Ventures			

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PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
(Amended)*				
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			✓
PAS 33	Earnings per Share			✓
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
PAS 40	Investment Property			✓
PAS 41	Agriculture			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and			✓

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KASAGANA-KA
Mutual Benefit Association, Inc.

SCHEDULE OF RECEIPTS

Name of Foundation / Organization Kasagana-Ka Mutual Benefit Association Inc.	**SEC Registration No:** CN200610153
For the Year Ended: December 31, 2015	

RECEIPTS	GENERAL FUND	MUTUAL BENEFIT FUND	OPTIONAL BENEFIT	TOTAL FUND
1. Members' Contribution	5,884,129.65	23,536,518.60	-	P 29,420,648
2 Membership Fees / Dues	748,390.00	-	-	748,390
3. Premiums for Optional Benefits	3,902,099.94	-	1,672,328.55	5,574,428
4. Interest Income		4,094,261.00	8,356.00	4,102,617
5. Miscellaneous Income	247,873.68	123,333.33	-	371,207
		-	-	-
Total Income	10,782,493	27,754,113	1,680,685	40,217,291

Signed under oath by the following:

Elizabeth Yayon

Judea T. Gutierrez

Signed this________ day of________________

#5 Don Francisco Street, Don Enrique Heights, Brgy. Holy Spirit Commonwealth Ave., Quezon City
Telefax: (63) 431-8864
Email: kasaganaka.mba@gmail.com

KASAGANA-KA
Mutual Benefit Association, Inc.

SCHEDULE OF DISBURSEMENT

Name of Foundation / Organization **Kasagana-Ka Mutual Benefit Association Inc.**	**SEC Registration No:**
For the Year Ended: **December 31, 2015**	**CN200610153**

DISBURSEMENT	GENERAL FUND	BASIC BENEFIT FUND	OPTIONAL BENEFIT	TOTAL FUND
1. Benefits/ Claims Expense		5,693,005.12	1,208,419.00	6,901,424.12
2. Alloc for Liability on Individual Equity Value		15,292,036.00		15,292,036.00
3. Inc / Dec in Reserve for Basic Contingent Ben		3,971.00		3,971.00
4. Inc / Dec in Reserve for Optional Benefit			165,435.16	165,435.16
5. Inc / Dec in Reserve for Agg Trust Liability RF		543,277.00		543,277.00
6. Collection Fees		470,425.05	566,713.07	1,037,138.12
7. Other Member Benefit Expense		601,263.03		601,263.03
8. Operating Expenses	6,658,438.25			6,658,438.25
TOTAL DISBURSEMENT	**6,658,438.25**	**22,603,977.20**	**1,940,567.23**	**31,202,982.68**

Signed under oath by the following:

Elizabeth Yayon

Judea T. Gutierrez

Signed this ________ day of ______________

#5 Don Francisco Street, Don Enrique Heights, Brgy. Holy Spirit Commonwealth Ave., Quezon City
Telefax: (63) 431-8864
Email: kasaganaka.mba@gmail.com

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CERTIFICATION

I, Judea Gutierrez of legal age, *Filipino*, after being duly sworn to, in accordance with law, herein certify:

1. That I am the Treasurer of **KASAGANA-KA Mutual Benefit Association Inc.**

2. That the CD of the December 31, 2015 audited Financial Statements (FS) of **KASAGANA-KA Mutual Benefit Association Inc.** attached herein as Annex C, contains the basic and material data in the attached four (4) copies of audited FS duly stamped "RECEIVED" by the Bureau of Internal Revenue.

3. That this "CERTIFICATION" is prepared in order to comply with the requirement set forth under Memorandum Circular No. 02 of the Securities and Exchange Commission in compliance with Section 27 of R.A. 8792 otherwise known as the "Electronic Commerce Act" and Sec. 37 of its Implementing Rules and Regulations.

Quezon City, April 6, 2016

Judea Gutierrez
Treasurer

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SUBSCRIBED AND SWORN TO, before me, this ______ day of ______, 2016, Affiant exhibited to me his Community Tax Certificate No. ______ issued on ______, 20___, at ______.

Doc. No. 181
Page No. 38
Book No. XI
Series of 2016.

ATTY. JOHN RYAN E. SEGUIT
NOTARY PUBLIC
ROLL NO. 59421, TIN NO. 427-346-464-000
PTR NO. 2182595; 01/06/2016; QC.
IBP NO. 1012356; 01/... QUEZON CHAPTER
MCLE COMP. IV-0016272 04/08/2013
UNTIL DEC 31, 2016
Adm. Matter No. NP-343 (2015-2016)
Add: 112 Vic vel Bldg. West Ave. Q. City

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

SEC
APR 2 8 2016

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014

	Note	2015	2014
ASSETS			
Current assets			
Cash and cash equivalents	6	P43,960,526	P17,375,899
Receivables	7	2,747,379	5,093,452
Other current assets	8	173,274	130,511
Total current assets		46,881,179	22,599,862
Noncurrent assets			
Available-for-sale finacial assets	9	15,615,901	15,179,142
Held-to-maturity investments	10	75,678,366	75,678,366
Property and equipment, net	11	490,543	661,083
Total noncurrent assets		91,784,810	91,518,591
Total assets		P138,665,989	P114,118,453
LIABILITIES AND FUND BALANCE			
Current liabilities			
Trade and other payables	14	P330,032	P613,385
Liability on individual equity value	12	63,917,609	52,334,269
Aggregate reserve for trust liability	12	30,066,165	24,696,543
Basic contingent benefit reserve	12	164,503	163,969
Optional benefit reserve	12	763,668	598,233
Claims payable on basic contingent benefit	13	268,175	264,739
Total current liabilities		95,510,152	78,671,138
Noncurrent liability			
Retirement obligation	17	626,239	474,403
Total liabilities		96,136,391	79,145,541
FUND BALANCE			
Restricted balance	15	20,304,408	18,001,974
Unrestricted balance	15	22,225,190	16,970,938
Total fund balance		42,529,598	34,972,912
Total liabilities and fund balance		P138,665,989	P114,118,453

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(The notes on pages 5 to 49 are integral part of these financial statements.)