



**Kasagana-ka
Mutual Benefit
Association, Inc.**

2022

Annual Report

**"STANDING FIRM
IN THE MIDST OF
ADVERSITY"**

MESSAGE FROM THE PRESIDENT

My fellow members, join me in sending our KMBA a big congratulations for keeping the spirit of service alive for 17 fruitful years. It is truly an honor to be part of this Association whose only desire is to serve the underprivileged.

In 2022, as my first term as President, I am proud to note that our membership grew by 13.25%. This membership growth does not only signify that our members' livelihoods are picking up and are adapting to respond to today's changing and challenging entrepreneurial environment but also means that our education and awareness campaign on our insurance products has succeeded. Though purchasing power still poses a challenge to everyone especially to the low-income sect of our society, more and more people now bank on the benefits and the feeling of comfort from being secured by insurance products. In addition, Premium Collections rose by 20% and the Total Assets increased by 4.5% compared to the previous year's numbers. These records indicate that KMBA's operations follow a lead measure in its recuperation from the past years' disruptions brought on by the pandemic. Moreover, as easements in CoViD-19 Alert Levels are implemented in the country, the number of calamities also went down which made ways for members to bounce back their livelihood with no added disruptions. This also allowed the management to expand its membership base, hence forging clientele relationships with small transport coop group, community-based church groups, and other informal workers. Enhanced features in the mobile application were also implemented. Members can now fully engage with KMBA using it.

Furthermore, while consolidating all the efforts in facing all the challenges in the past and in the present, stable good governance remains to be the key --- and KMBA continuously proves that. Join me again in congratulating KMBA for a job well done after receiving its 2-Golden Arrow Award as a Top Performing Insurance Company in the Philippines under the 2021 Corporate Governance Scorecard.

It was again a fruitful year and it was a milestone completed out of perseverance, dedication, and inspiration. This doesn't only mean the culmination of a year-long hard work in the relentless pursuit of genuine service to members but also calls for a celebration of all the successes and triumphs of the Association. To the management and staff and members of the Board of Trustees, thank you for your untiring support to the 48,000+ strong members.

More power to all of us and Mabuhay ka KMBA!




MARLIN C. PEREZ
PRESIDENT

MESSAGE FROM THE GENERAL MANAGER

Warm greetings to our membership and all stakeholders!

The pandemic taught us to be resilient in the different aspects of our organizational activities even in the most challenging of situations. It is through these adversities that we measure how strong and stable an organization is. In 17 years, KMBA has been into a plethora of both privileges and challenges, thus this year's theme, "Pinatatag ng Pinagdaanan".

We have embraced the new technological era and digital transformation. KMBA boards its digital transformation through its payment platforms, members' mobile app, and the continuous enhancement of its management information system to provide ease and facilitate transactions among members especially when it comes to claims management. We strengthen our steadfast relationships with different partners from both internal and external, be it in local, regional, or international spheres for learning exchanges and resource sharing that benefit the members. We ended the year 2022 with a Net Surplus that is close to our pre-pandemic yearly figures. Also, we did it again in the 2021 Corporate Governance Scorecard. KMBA was awarded a Two-Golden Arrow Award for Insurance Companies given by the Institute of Corporate Directors (ICD) and the Insurance Commission (IC). This only shows that despite the difficulties during the past two years of the pandemic, the Association managed to sustain its strength by consolidating its efforts to serve its members.

We've gone a long way.

We shall continue to give our best, find new ways of doing things, and work together to ensure that access to microinsurance is provided to more people, especially in poor communities.

Happy 17th year Anniversary, KMBA!


SILVIDA REYES-ANTIQUERA
GENERAL MANAGER



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OUR ORGANIZATION

Every year, the KMBA Board of Directors (BoT) meets to review the organization's vision, mission, and goals, reflecting its efforts to address the needs and requirements of its members. Through a comprehensive review of shared ideas and plans, the Board unanimously agreed to keep the following statements:



VISION

A self-reliant and self-sustaining mutual benefit association that actively and appropriately responds to the financial risk management needs of the poor Filipino families.



MISSION

To provide microinsurance products and services to the poorest Filipino families



GOALS

- To promote basic life insurance that can broaden the safety net of the Filipino poor;
- To engage in socially-oriented activities that render assistance to members in terms of their security needs;
- To develop a cost-effective mechanism for the delivery of microinsurance products and services.

KMBA like its sister institutions in the Kasagana-ka Synergizing Organizations (KSO), believes in the significance of a shared vision. Part of its culture is communicating the organization's purpose, goals, and plans to the members and employees through the yearly roadshows together with the other KSOs. Despite the pandemic, like the previous year, the annual Roadshow was done online.

OUR PRODUCTS

BASIC LIFE INSURANCE (BLIP)

This is provided to all client-beneficiaries and staff members of K, as well as to client-beneficiaries of KMBA's partner microfinance institutions and community or basic sector groups. Members contribute Php 20 per week (Php 15 for the insurance premium, and Php 5 for the retirement savings fund)

CREDIT LIFE INSURANCE (CLIP)

An insurance coverage offered to KMBA's partner organizations, which allows the latter to insure its own individual borrowers or debtors for an amount equal to the loan granted, up to a maximum of Php 200,000.

HOSPITAL INCOME INSURANCE PLAN (HIIP)

An insurance plan on hospital confinement benefit whereby a daily cash allowance is paid for the number of days the member is unable to work due to bodily injury or sickness, which requires hospital confinement.

Receiving a 100% rating from the network in terms of claims settlement in 24-hour or less, KMBA continued to implement the eight-hour claims settlement policy.

With regards to digitization of its processes, the maximized use of KMBA's in-house developed system is worth mentioning as well as the release of claims disbursements thru online bank transfers. All these helped KMBA as it strives to meet the needs of its members and their families amidst the ongoing pandemic.



**2022-2023
KMBA Board of Trustees
and
General Manager**

OUR SERVICES



K-KALINGA

This is a personal accident insurance with fire assistance designed specifically for non-KMBA members, made available to KMBA's associate members and to their relatives and fellow community members who are in need of such insurance coverage. This insurance product is being provided in partnership with the Malayan Insurance.



CALAMITY ASSISTANCE

This is a post-emergency housing assistance adopted by KMBA for all insured members. A maximum amount of P3,000 may be given to a covered member with totally damaged house following a natural or man-made disaster (e.g., typhoon, flooding, earthquake, fire, tsunami, volcanic eruption, tsunami, lightning strikes, and terrorism).



K-BENTE

This service, in partnership with an insurance provider, is a Php20-a-year policy, which provides cash benefits for natural or accidental death. KMBA extends this as a benefit to all insured members.



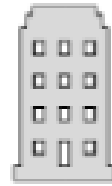
KUYA JUN SCHOLARSHIP PROGRAM

This scholarship program is open to high school and college students for children of KMBA members. All applicants have to pass a qualifying exam, and a background check. To keep their scholarships, high school beneficiaries should get a grade average of 85%, while college students should obtain 2.25 or its equivalent (with no failing marks and two grades of incomplete in their enrolled subjects).

2022 TARGETS



50,500 members'
outreach



Assets: 235M



49.8M Premium
Collection



Liabilities: 158M



Maintain OPEX of
20%



Fund Balance:
77.6M



30,000
enrollments



15,000
enrollments



50,000
enrollments

2022 BY THE NUMBERS

KASAGANA-KA MUTUAL BENEFIT ASSOCIATION, INC

KMBA



MEMBERSHIP

MEMBERS

48,580

OR

COVERED LIVES

242,900



PRODUCTS AND SERVICES

BLIP BASIC LIFE INSURANCE PLAN

454 Number of Claims

Amount of Claims ^{Php} 9.4M

CLIP CREDIT LIFE INSURANCE PLAN

262 Number of Claims

Amount of Claims ^{Php} 3.3M

HIIP HOSPITAL INSURANCE INCOME PLAN

47 Number of Claims

Amount of Claims ^{Php} 95,600

K-KALINGA

7,531 Enrolled

15 Claims amounting to ^{Php} 160,000

K-BENTE

1,194 Enrolled

32 Claims amounting to ^{Php} 192,000

CALAMITY ASSISTANCE

51,000 Given to 17 Recipients

KUYA JUN SCHOLARSHIP PROGRAM

33 College and 72 High School
^{Php} 498,000 Financial Assistance

AWARDS

RECEIVED 2 GOLDEN ARROW AWARD FROM ASIAN CORPORATE GOVERNANCE SCORECARD (ACGS)
RANKED 3RD AMONG MBAs ON PERFORMANCE ASSESSMENT PERFORMED BY INSURANCE COMMISSION

FINANCIAL HIGHLIGHTS

| PARTICULARS | 2022 | 2021 | % VARIANCE |
|--|------------------|------------------|------------|
| Assets | P 241,166,988.00 | P 230,635,866.00 | ↑ 5% |
| Liabilities (50% Reserves&RF) | 142,396,120.00 | 124,998,169.00 | ↑ 14% |
| Fund Balance (Guaranty Fund + Unassigned Surplus + Net Surplus) | 98,770,868.00 | 105,637,697.00 | ↓ 6% |
| Net Income | 4,235,708.00 | 24,857,834.00 | ↓ 83% |
| Members' Contribution | 32,067,220.00 | 27,755,925.00 | ↑ 16% |
| Premium | 14,400,110.00 | 10,826,485.00 | ↑ 30% |
| Operating expense | 12,985,892.00 | 12,022,118.00 | ↑ 8% |
| Liquidity Ratio | 113.30% | 112.99% | ↑ .2% |
| Margin of Insolvency | 145.41% | 123.74% | ↑ 18% |

This year, the assets of KMBA increased by P10.5M; this is a 5% increase compared to the year 2021. Of the total assets, 18% are current assets while 82% are non-current assets.

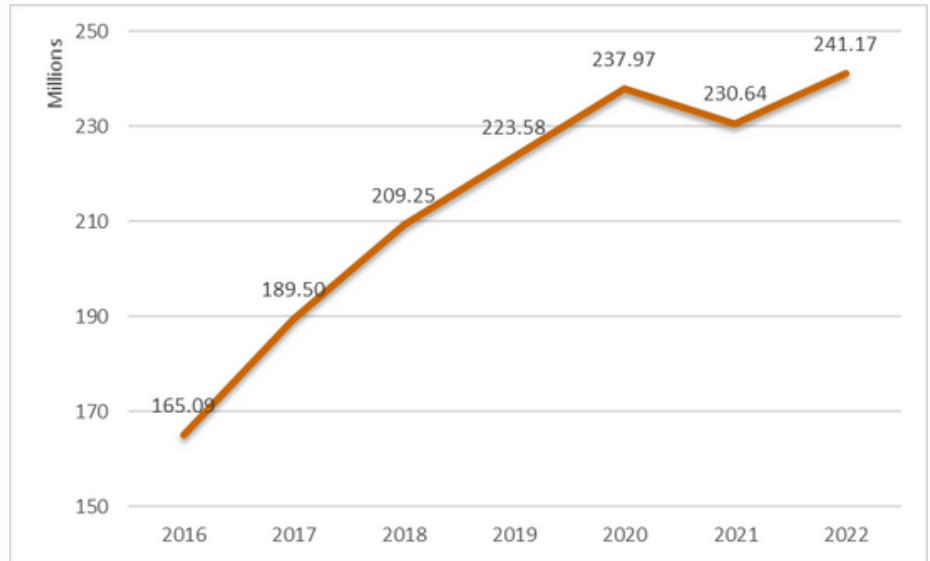
Liabilities also increased by 17M or 14%. It is also good to note that Net Surplus this year is the actual net surplus of the Association without any adjustment or reclassification. The 2021 net surplus was due to the reclassification of the reserved liability to a restricted fund balance.

This year the fund balance decreased by P6.8M, closing at P98.77M by the end of 2022 due to the prior year's adjustment on the reclassification of the reserve liability (Equity Value and Retirement Savings Fund) to Restricted Fund Balance of lapsed members with less than 3 years of membership but are more than 3 years lapsed before the amendment of the KMBA IRR on February 27, 2018.

Still, KMBA has managed a 9.75% average annual growth in fund balance since 2016.

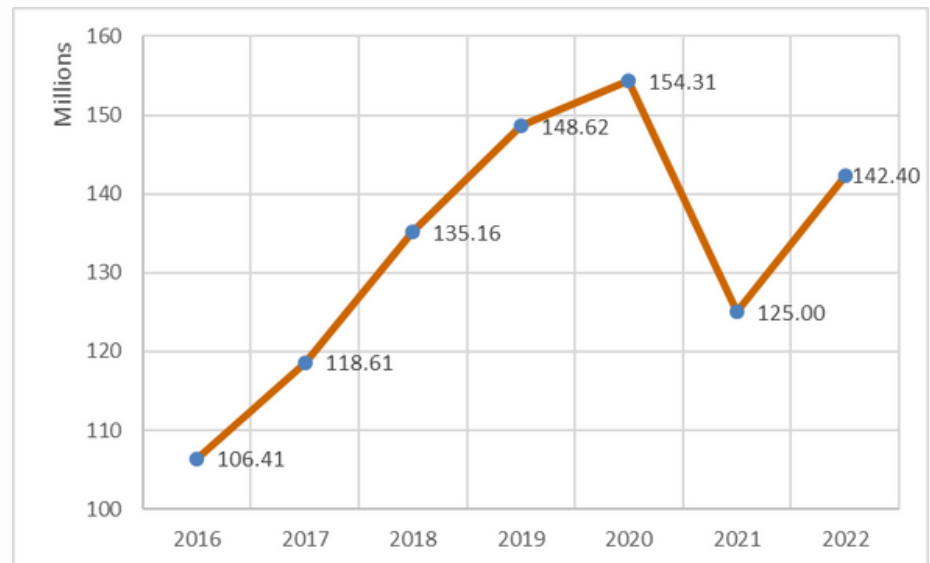
ASSETS

On the average, KMBA has registered an annual growth of 7% in assets since 2016.



LIABILITIES

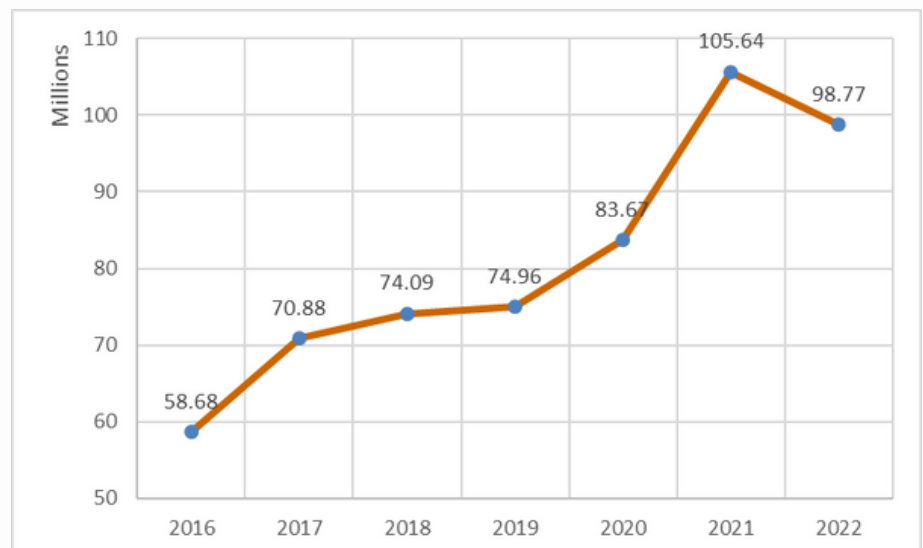
Liabilities increased by an average of 5% since 2016, this is an indication of an increase in the funds of members which shows their continued patronage of KMBA's services.



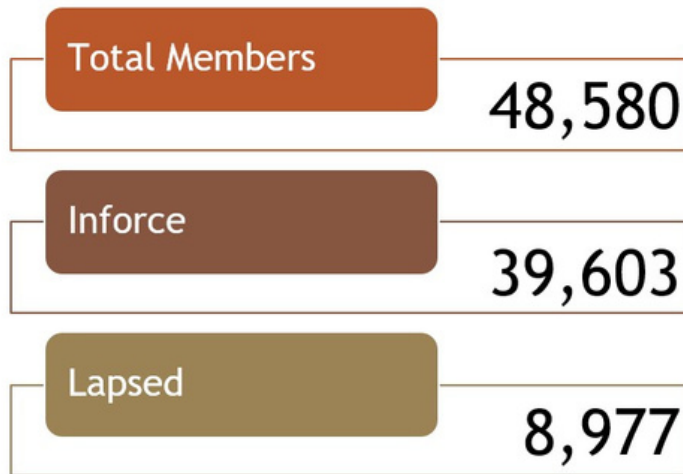
FUND BALANCE

31% of the fund balance is the Guaranty Fund, which is a mandatory requirement of the Insurance Commission.

On the average, KMBA has registered an increase in Fund Balance of 9.75%



MEMBERSHIP



| ORGANIZATION | INFORCE | LAPSED | TOTAL |
|------------------|---------|--------|--------|
| K-COOP | 29,972 | 7,817 | 37,609 |
| CAPS-R | 8,938 | 743 | 9,681 |
| JVOMFI | 218 | 195 | 413 |
| OTHER ASSOCIATES | 655 | 222 | 877 |
| TOTAL | 39,603 | 8,977 | 48,580 |

EXIT AGE

| Year | Number | Amount |
|--------------|------------|-----------------------|
| 2017 | 73 | 407,453.00 |
| 2018 | 134 | 800,820.00 |
| 2019 | 135 | 749,225.00 |
| 2020 | 116 | 732,555.00 |
| 2021 | 221 | 1,420,584.81 |
| 2022 | 167 | 1,068,071.92 |
| TOTAL | 846 | P 5,236,624.31 |

The effects of the pandemic continue to be evident in the status and growth of membership of the Association since most of the livelihoods of those in the urban poor communities were greatly affected.

The year ended with a total membership of 48,580 of which 37,609 are K-Coop members, 9,681 are from CAPS-R, 413 are from JVOMFI and 877 are from various small organizations.

Of the total membership of 48,580, only 39,603 are in force and 8,977 have lapsed. As the members struggle to recover from the hard hit of the pandemic in their lives and livelihood, daily family consumption will always take precedence over loan amortizations and even microinsurance premiums. This is the strength of having a Board that is composed of a majority of members in the communities. It allowed the body to gain insights as to the real situation of the members; for better decision-making. With this, the Board and management commit to campaign to reduce the number of lapsed accounts in the succeeding year.

New members for the year reached 18,593 but the increase was barely felt due to the resignations which totaled 12,658.

Per records, 41% of the members of the Association have been members for more than 3 years.

However, 167 memberships were terminated last year upon reaching the exit age of 65 years old. A total of Php 1,068,071.92 in benefits, including 50% equity value, retirement savings fund, and interest earnings were paid to said members.

CLAIMS

BASIC LIFE INSURANCE (BLIP)



Number of Claims
454



Amount of Claims
P 9.4M

29%
Claims Ratio

1st 

2nd 

3rd 

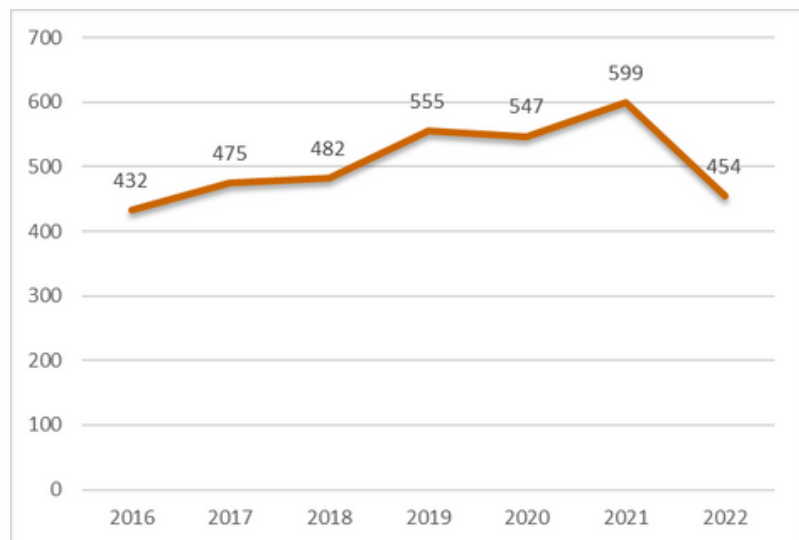
4th 

5th 

There were 454 BLIP claims for this year, from this number, 209 are members and 245 are dependents. The total amount paid reached P9.4M. The number of claims this year is lower than the past 5 years.

The leading causes of death are as follows: cardiovascular, respiratory, hematological, neurological and gastro-intestinal.

NUMBER OF BLIP CLAIMS



| Cause of Death | # of Claims |
|--------------------------|-------------|
| Cardiovascular | 160 |
| Respiratory | 87 |
| Hematological | 77 |
| Neurological | 43 |
| Gastro Intestinal | 39 |
| Gynecological | 20 |
| Motor Vehicular Accident | 20 |
| Undetermined | 7 |
| Suicide | 1 |
| TOTAL | 454 |

CREDIT LIFE INSURANCE (CLIP)



Insured Loans

131,338

Re-insured Loans

262



Premium

P 11.7M

Premium

P 29k



Number of Claims

262

28%



Amount of Claims

P 3.3M

Claims Ratio

HOSPITAL INCOME INSURANCE PLAN (HIIP)



Enrolled

10,924



Premium

P 2.74M



Number of Claims

47



Amount of Claims

P 95,600

3.5%

Claims Ratio

In CLIP, there were 262 claims where the total amount reached P3.2M and the claims ratio was 28%. The number of CLIP claims is slightly lower than the previous year.

KMBA is also one of the participating MBAs in the Life Catastrophe Excess of Loss Reinsurance Treaty (CatXol) provided by the National Reinsurance Corporation of the Philippines (NATRE). This reinsurance coverage is for life and credit life insurance of all active members. This is renewed each year and KMBA shoulders the additional premiums as an added benefit to its members. KMBA as a member of MiMAP (MicroInsurance MBA Association of the Philippines) a network of MBAs helped to lower the premiums.

An insurance coverage for periods when an insured is unable to work owing to hospital confinement. Members can get full-year coverage for only Php 250.00; this is renewable every year.

In 2022, there were 47 claims in HIIP and the total amount reached P95,600.

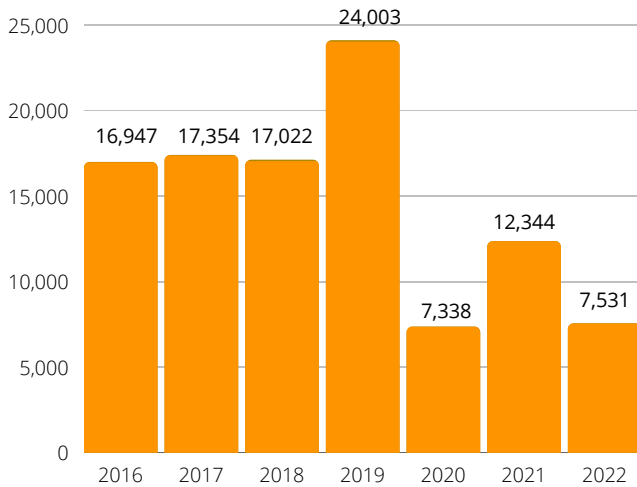
Efforts to campaign HIIP enrollment to the Coordinators will be intensified so that they themselves can explain and campaign it in the centers.

| YEAR | NUMBER | AMOUNT |
|-------------|-----------|------------------|
| 2019 | 31 | P 49,600.00 |
| 2020 | 48 | 89,200.00 |
| 2021 | 26 | 60,200.00 |
| 2022 | 47 | 95,600.00 |
| TOTAL | 152 | P 294,600.00 |

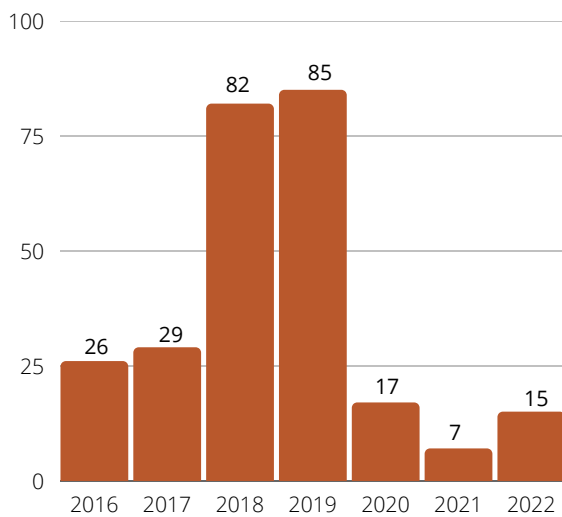
OTHER SERVICES

KMBA continues to provide other services such as K-Kalinga, K-Bente, calamity assistance, and the Kuya Jun Scholarship Program. For the succeeding years, proper campaign will be enforced to reduce the number of lapsed accounts and increase enrollment.

K-KALINGA



ENROLLMENT

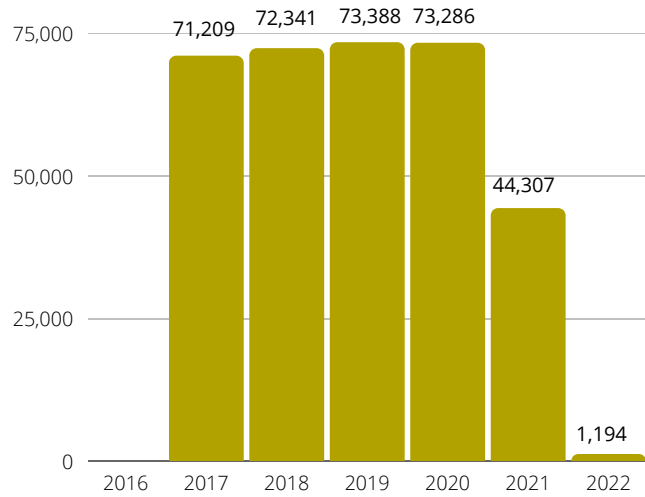


CLAIMS

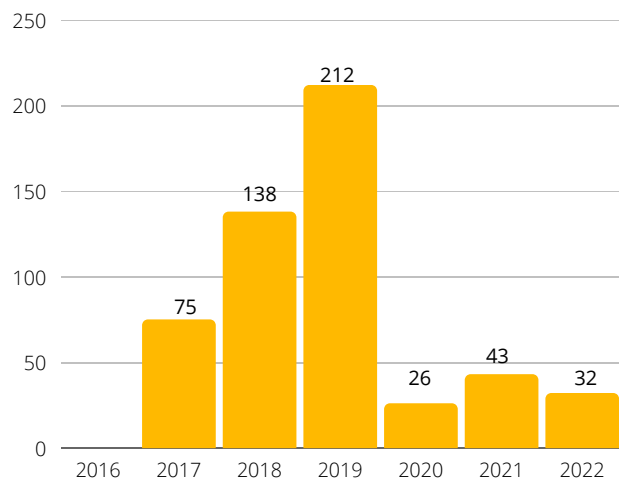
With an annual premium of Php 50.00 per unit, a policyholder may avail of up to five (5) units and receive benefits of Php 25,000.00 for accidental death and Php 10,000.00 for fire assistance for each unit.

In 2022, K-Kalinga enrolled 7,531 policies equivalent to Php 376,550.00 in total. This is lower than the previous year. Fifteen (15) policyholders claimed fire assistance benefits amounting to Php 160,000.00 in total. These claims are higher than the previous year.

K-BENTE



ENROLLMENT



CLAIMS

K-Bente is an added benefit of one (1) policy for each active and loyal member, in partnership with First Life Financial, Inc. as the underwriter. Compared to the previous years, there was a big drop in the number of enrolled members. From 44,307 enrolled members in 2021, only 1,194 members were enrolled in 2022.

This year, First Life has paid out Php 192,000.00 in total claims for 32 claimants

CLAIMS cont.

CALAMITY ASSISTANCE

Each year the Association sets aside an amount for calamity assistance. This is an additional benefit for members with no additional premium contributions.

Typhoon and fire- related disasters also disrupted the lives and homes of several members.

Though lower than previous years, KMBA acted by donating Php 51,000.00 as assistance to families affected by these occurrences.



Typhoon related
P 3,000



Fire related
P 48,000

| Year | Number | Amount (Php) |
|--------------|------------|-----------------------|
| 2016 | 42 | ₱ 84,000.00 |
| 2017 | 31 | ₱ 93,000.00 |
| 2018 | 85 | ₱ 501,319.57 |
| 2019 | 75 | ₱ 225,000.00 |
| 2020 | 150 | ₱ 392,000.00 |
| 2021 | 77 | ₱ 494,223.00 |
| 2022 | 17 | ₱ 51,000.00 |
| TOTAL | 460 | ₱ 1,789,542.57 |

KUYA JUN SCHOLARSHIP PROGRAM (KJSP)

Another service for the members is the Kuya Jun Scholarship Program (KJSP) which grants every college student beneficiary a Php 5,000.00 stipend per semester and every high school student (up to those in senior high school), Php 3,000.00 for the year.

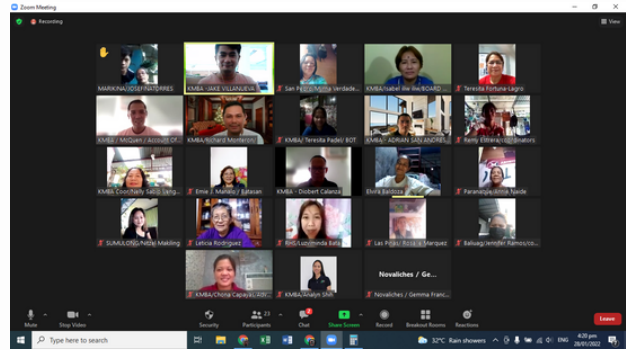
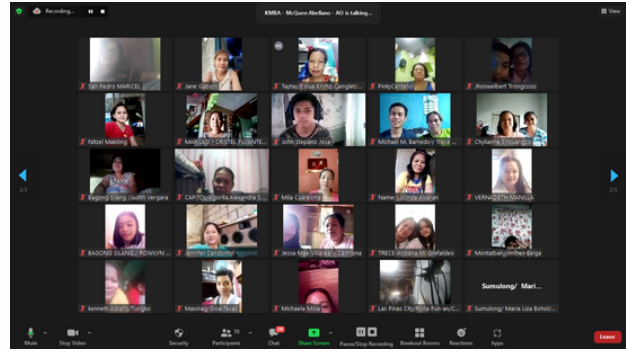
The program served 33 college students and 72 high school students for the year 2022.

| Year | College | High School | TOTAL | Allowance Released |
|--------------|---------|-------------|-------|-----------------------|
| 2007-2015 | | | | ₱ 2,405,231.00 |
| 2016 | 40 | 60 | 100 | 598,490.00 |
| 2017 | 40 | 60 | 100 | 580,000.00 |
| 2018 | 41 | 60 | 101 | 590,000.00 |
| 2019 | 41 | 90 | 131 | 680,000.00 |
| 2020 | 35 | 80 | 115 | 345,000.00 |
| 2021 | 40 | 90 | 130 | 527,000.00 |
| 2022 | 33 | 72 | 105 | 498,000.00 |
| TOTAL | | | | ₱ 6,223,721.00 |

The Kuya Jun Scholarship program (KJSP) began soon after KMBA's establishment and is named after Severiano "Kuya Jun" C. Marcelo Jr., the first Executive Director of Kasagana-ka Development Center, Inc. (the first organization among the four institutions in the Kasagana-ka Synergizing Organizations).

He passed away in 2008. Aside from the scholarship program, "MARCELO" or the Guiding Principles of all the Kasagana-ka Synergizing Institutions were derived from his family name.

KUYA JUN SCHOLARSHIP PROGRAM



RECOGNITIONS



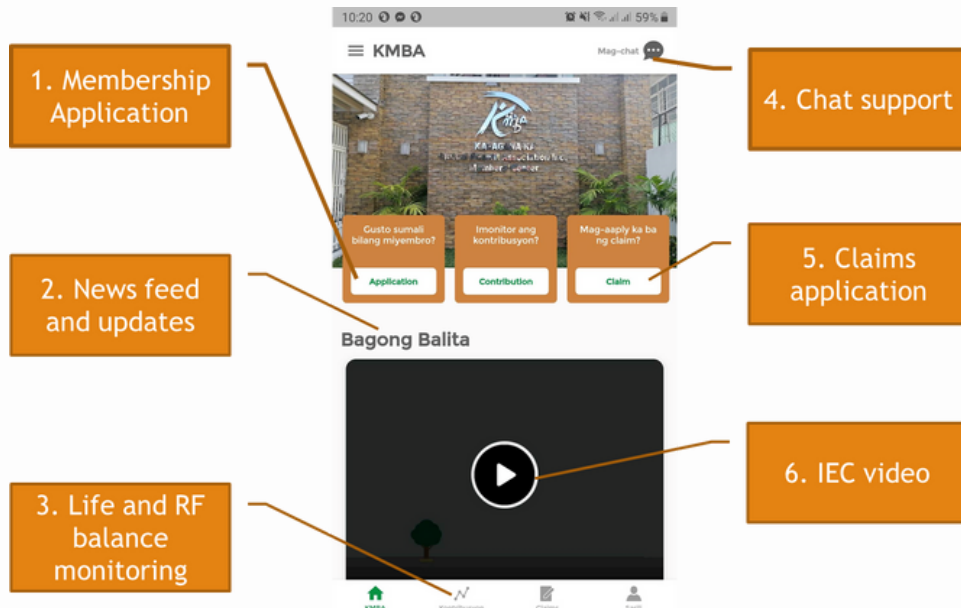
KMBA AND K-COOP LEADERS

Working together in the communities, for the communities.

OTHER ACCOMPLISHMENTS

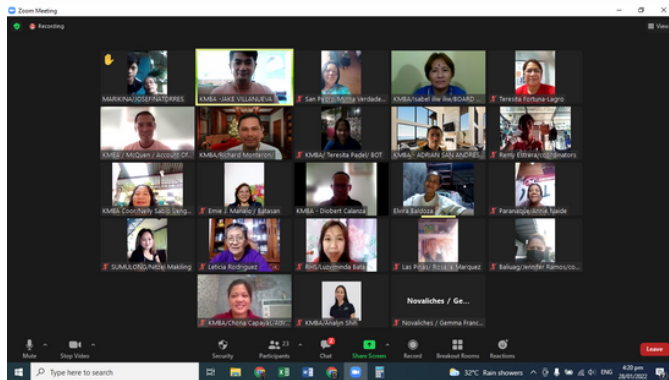
DIGITALIZATION

Seeing the importance of digitalization in the efficiency of its operations, the Association continued its efforts to digitize its processes.



Aside from the online claims processing and disbursement through bank transfers or e-wallets which began in 2020 to ensure the delivery of services despite the pandemic; KMBA also began with its Mobile Application.

It hopes to secure membership and claims applications thru the app. Moreover, the mobile app would allow for direct communication from the Association to its members thru ease of access to information by way of uploadable IEC videos which they can play on-demand, chat support, news feed, and other updates. At the forefront of all of these features is the Life and RF monitoring where members can track their premium contributions right at their fingertips.



Adapting to the new normal, while in-person meetings are being done, online meetings are still in place. To keep abreast of developments in the industry, despite restrictions in travel and face-to-face events KMBA pushed through with attending webinars, seminars, and conferences organized by our regional and international networks.

Information about the organization is readily available at the Association's website and at the same time, KMBA actively participates in the Quarterly Center Chiefs Conference and in the employees and Center Chief roadshows. This is part of the annual calendar of all the Kasagana-Ka Synergizing Organizations to report on the accomplishments and plans of each organization. Members are also given time to share their membership stories and thoughts on the matters reported to them.

QUARTERLY CENTER CHIEFS CONFERENCE

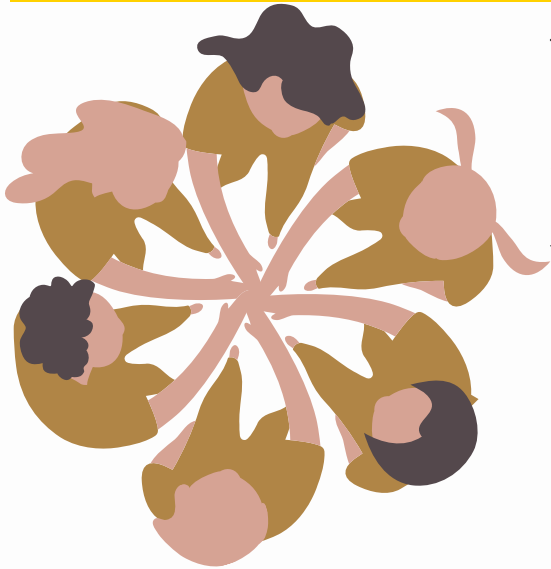


KMBA 16TH GENERAL ASSEMBLY

In-person attendance of officers and employees at the KMBA Members Center Bldg and livestreamed via the KMBA Facebook Page

NETWORKS

KMBA believes in the importance of building strong long-term institutional relationships.



The Association deeply appreciates the trust of the community of microinsurance MBAs. This helps in identifying new opportunities and increases chances of success. This is shown in part as the officers and employees actively participate in learning sessions and fora organized by MiMAP.

MiMAP continuously initiates the formulation and review of policies essential to the growth and sound governance of MBAs. Notable among these is the tax-exempt status of MBAs, possible utilization of the equity value through product enhancement, and adoption of a self-regulatory policy environment.

KMBA is also an active member of ICMIF (International Cooperative and Mutual Insurance Federation) and AOA (Asia Oceania Organization) network through participation in their webinars and as a resource speaker.

To promote the financial growth and protection of MBAs, KMBA remains an active participant in different network-initiated investment pools and activities and unceasingly explores high-yielding investments for MBAs.

With the financial risks brought about by the pandemic, the Association will continue to seek tie-ups with partner providers for the development of insurance products tailored to better respond to the needs of the partner cooperatives/microfinance institutions.



NETWORK AND INDUSTRY PARTNERS



COMPLIANCE AND GOOD GOVERNANCE

KMBA believes that compliance and good corporate governance is a foundation attribute for a healthy organisation

KMBA pushes through with its commitment to uphold and strengthen good governance principles in its operations amidst the challenges it faces as the organization and its members recover from the effects of the pandemic.

All organization manuals are continuously updated, reviewed, and duly approved by the Board at the start of the year.

An up-to-date compliance calendar guides KMBA's preparation and submissions of all government regulatory requirements specifically to the:

Anti-Money Laundering Council (AMLC), Bureau of Internal Revenue (BIR), Securities and Exchange Commission (SEC), Insurance Commission (IC), Department of Labor and Employment (DOLE) and various LGUs



TRANSPARENCY IN DECISION MAKING PARTICIPANTS AFFAIRS CORP REC
CORPORATE MONITORING SYSTEM INTEGRITY
 RULES POLICY **GOVERNANCE**
 MECHANISM MARKET DIRECTION LAW BEHAVIOR
 STAKEHOLDER VES ENT

CORPORATE GOVERNANCE AND MANAGEMENT

BOARD OF TRUSTEES

The current composition of KMBA's Board of Trustees is represented by a majority of non-executives. Of the nine (9) trustees, 5 are non-executive and 4 are executive. The non-executive trustees play a vital role by bringing an independent and objective perspective, enabling the Board to arrive at sound decisions in the interest of all members and stakeholders. Seven (7) or 78% of the trustees are women, of which six (6) are women-entrepreneur members of KMBA and one (1) is an independent trustee. This women-led Board sets the tone in upholding the principles of sound corporate governance by responsibly governing, controlling, and managing the affairs, funds, and property of the Association.

The 16th Annual General Meeting of KMBA was held on May 31, 2022 in-person at the 3rd Floor KMBA Member's Center Building and streamed live thru the KMBA Facebook page.

Four (4) new Board of Trustees were elected to fill up vacancies. Prior to the declaration of elected trustees, the manner and election guidelines were presented and discussed.



Canvassing of the votes was conducted by the Internal Audit Services Unit of the Kasagana-ka Synergizing Organizations headed by Mr. Randy Laresma, Internal Audit Manager. His team provides an independent and objective assurance services in all the organizations of KSO.



MARLIN C. PEREZ

PRESIDENT
BOARD OF TRUSTEES, KMBA

PROFILE

AGE: 54

BUSINESS/PROFESSIONAL

BACKGROUND: Sari-sari store & e-loading business owner

EDUCATION

- Bachelor of Arts in Christian Education, Rabbi Theological Seminary and International Ministries, Inc., 2021
- High School Graduate, Antipolo Municipal High School, 1984

TERM OF OFFICE

Three years (2021-2024)

TYPE OF DIRECTORSHIP

Executive

LEADERSHIP EXPERIENCE

- K-COOP CENTER CHIEF, 2006-2016
- KMBA AREA COORDINATOR, 2017-2020
- TREASURER, CHASTE BATCH, 2021
- TEACHING CHILDREN EFFECTIVELY, 2016
- PRESIDENT, PILGRIMS VILLAGE HOMEOWNERS ASSOCIATION, 2022

OTHER CORPORATE LEADERSHIP ROLES

- Chairperson – Treasury Committee, Risk and Management Committee
- Member – Remuneration Committee

TRAININGS, SEMINARS, AND EXPOSURES ATTENDED

2022

- National Microinsurance Forum: Facing Uncertainty through Strategic Innovations
Date: January 25-26
- KMBA Onboarding Program
Date: June 30
- Leadership Training Workshop: Soft Skills for Servant Leadership
Date: July 27-29
- Management Forum: Improving Regulatory Compliance and Operating Systems
Date: August 24-26
- Learning Sessions to Kickstart your IFRS 17 Journey
Date: September 20 & 22
- Roundtable Discussion on Investment
Date: December 9

TRAININGS, SEMINARS, AND EXPOSURES ATTENDED

2021

- National Microinsurance Forum: Thriving in the New Normal
Date: January 25-26
- Webinar: Ensuring Continued Member Protection: The Mi-MBA Way
Date: February 22
- Lecture Series: Promoting Good Governance through Strengthened MBA-MFI/COOP Partnership
Date: March 22
- Learning Series with Spark: Introduction to Risk Management
Date: May 20
- Governance and AMLA Workshop
Date: June 16-18
- Discovering Innovation through Digitalization
Date: July 26
- Leadership Training Workshop: Soft Skills for Servant Leadership
Date: August 11-13
- Communicating in the next normal
Date: December 13

2020

- Leadership Training Workshop
Date: January 26-27, Bayview Park Hotel
- Needs Assessment for Assessment for Member Education under Citi Project and Planning Workshop for Financial Literacy in partnership with Sparkassenstiftung fur international Kooperation),
Date: January 20-21, KMBA Members' Center Building
- National Microinsurance Forum
Date: January 30, PICC Manila
- Webinar: Investing in the time of COVID 19
Date: April 17
- Webinar: E-Learning Platform 101
Date: June 29
- Webinar: Briefer on ARISE Philippines Act and National Unemployment Insurance Program
Date: July 6
- Online Roadshow, Progresso Bonds
Date: July 23
- Learning Session on Social-Media 101
Date: July 27
- Webinar: Progresso Bonds RTB 24
Date: July 30
- Briefer on TRAIN package 4, PIFITA
Date: August 7
- Enhancing MI-MBAs Performance Management System
Date: September 7
- Learning Session: Center Meeting and Social Distancing
Date: September 21
- Webinar: Financial Management
Date: October 28
- Investors Briefing on Premyo Bonds 2
Date: November 12
- Governance and AMLA Workshop
Date: June 5-7



NELLY S. VENGANO

VICE PRESIDENT
BOARD OF TRUSTEES, KMBA

PROFILE

AGE: 59

BUSINESS/PROFESSIONAL BACKGROUND:

- Online selling business
- School registrar, Notre Dame Hospital and School of Midwifery, 1983-1991
- Part-time College Instructor, Notre dame Hospital and School of Midwifery, 1988-1991

EDUCATION

- Graduate, Business Economics, Notre Dame of Midsayap College, 1983

OTHER CORPORATE LEADERSHIP ROLES

- Member – Nomination and Election Committee

TRAININGS, SEMINARS, AND EXPOSURES ATTENDED

2022

- MILESTONE: MBA Coordinators, Kaagapay sa Mabilis at Maayos na Serbisyo
Date: March 14
- KMBA Onboarding Program
Date: June 30
- Leadership Training Workshop: Soft Skills for Servant Leadership
Date: July 27-29
- Learning Sessions to Kickstart your IFRS 17 Journey
Date: September 20 & 22
- Governance & AMLA Workshop
Date: October 12-14

2021

- National Microinsurance Forum: Thriving in the New Normal
Date: January 26-27, 2021
- National Microinsurance Forum: Value Creation Through Collaboration
Date: January 30, 2020

TERM OF OFFICE

Three years (2022-2025)

TYPE OF DIRECTORSHIP

Executive

LEADERSHIP EXPERIENCE

- K-COOP CENTER CHIEF, 2017
- KMBA AREA COORDINATOR, 2018-2021
- PRESIDENT, WOMEN ORGANIZATION, 2021 UP TO PRESENT
- BOARD MEMBER, KINGSTOWN 2 HOMEOWNERS ASSOCIATION, 1998-2022



JOSEPH F. LOPEZ

SECRETARY

BOARD OF TRUSTEES, KMBA

PROFILE

AGE: 44

BUSINESS/PROFESSIONAL BACKGROUND:

- Sector Manager, K-COOP

EDUCATION

- Undergraduate, BS Computer Science, La Fortuna College, 2001

TERM OF OFFICE

Three years (2021-2022)

TYPE OF DIRECTORSHIP

Executive

LEADERSHIP EXPERIENCE

- PRESIDENT, KASAGANA-KA EMPLOYEE EMPLOYERS PROVIDENT FUND 2021-2022

OTHER CORPORATE LEADERSHIP ROLES

- None

TRAININGS, SEMINARS, AND EXPOSURES ATTENDED

- | | |
|------|---|
| 2021 | <ul style="list-style-type: none">• Lakbay Sikap: Forging Resilience for MSME's Date: February 10 |
| 2020 | <ul style="list-style-type: none">• Thriving in the New Normal in the Cooperatives: Managing Stress and Anxiety at Work Date: October 2• Distressed Debtors, Their Option in the Midst of the Pandemic Date: October 29 |
| 2016 | <ul style="list-style-type: none">• Fundamentals of Cooperatives Date: May 6• Parliamentary Procedures Date: August 12• Credit and Risk Management Date: September 17• Cooperative Management and Governance Date: November 5• Financial Management Date: November 19 |



EMELDA CASTRO

TREASURER

BOARD OF TRUSTEES, KMBA

PROFILE

AGE: 54

BUSINESS/PROFESSIONAL BACKGROUND:

- Buy & Sell business

EDUCATION

- Undergraduate, Dentistry, Unciano Pharamedical, 1988
- Graduate, High School, St. Vincent HS, 1984
- Livelihood Training, Hortaleza Center, 2013
- Dressmaking, Soapmaking, TESDA, 2016
- Slipper making, Alpha Company, 2017

OTHER CORPORATE LEADERSHIP ROLES

- Member – Risk Management Committee

TERM OF OFFICE

Three years (2022-2025)

TYPE OF DIRECTORSHIP

Executive

LEADERSHIP EXPERIENCE

- K-COOP CENTER CHIEF, 2014-2017
- KMBA AREA COORDINATOR, 2018-2021
- CHAIRPERSON, VIOLENCE AGAINST WOMEN AND CHILD, 2020-2021
- VICE PRESIDENT KASAMA (KABABAIHAN SA MAYAMOT, 2022 UP TO PRESENT

TRAININGS, SEMINARS, AND EXPOSURES ATTENDED

2022

- MILESTONE: MBA Coordinators, Kaagapay sa Mabilis at Maayos na Serbisyo
Date: March 14
- KMBA Onboarding Program
Date: June 30
- Leadership Training Workshop: Soft Skills for Servant Leadership
Date: July 27-29
- Governance & AMLA Workshop
Date: October 12-14
- Roundtable Discussion on Investment
Date: December 9

2021

- National Microinsurance Forum: Thriving in the New Normal
Date: January 26-27, 2021
- National Microinsurance Forum: Value Creation Through Collaboration
Date: January 30, 2020



MYRNA VERDADERO

MEMBER
BOARD OF TRUSTEES, KMBA

PROFILE

AGE: 53

BUSINESS/PROFESSIONAL BACKGROUND:

- Direct selling business

EDUCATION

- Undergraduate, Associates in Computer Management, University of the Visayas, 1985

TERM OF OFFICE

Three years (2022-2025)

TYPE OF DIRECTORSHIP

Non- Executive

LEADERSHIP EXPERIENCE

- K-COOP CENTER CHIEF, 2015-2018
- KMBA AREA COORDINATOR, 2018-2021
- TREASURER, BAHAY PANGARAP HOMEOWNERS ASSOCIATION

OTHER CORPORATE LEADERSHIP ROLES

- Chairperson – Product Development and Innovation Committee

TRAININGS, SEMINARS, AND EXPOSURES ATTENDED

2022

- MILESTONE: MBA Coordinators, Kaagapay sa Mabilis at Maayos na Serbisyo
Date: March 14
- KMBA Onboarding Program
Date: June 30
- Leadership Training Workshop: Soft Skills for Servant Leadership
Date: July 27-29
- Governance & AMLA Workshop
Date: October 12-14

2021

- National Microinsurance Forum: Thriving in the New Normal
Date: January 26-27, 2021
- National Microinsurance Forum: Value Creation Through Collaboration
Date: January 30, 2020



JERONIMA TEODORO

MEMBER

BOARD OF TRUSTEES, KMBA

PROFILE

AGE: 45

BUSINESS/PROFESSIONAL BACKGROUND:

- Buy & Sell business

EDUCATION

- Graduate, BS Computer Science, Jose Rizal College 1998

TERM OF OFFICE

Three years (2021-2024)

TYPE OF DIRECTORSHIP

Non- Executive

LEADERSHIP EXPERIENCE

- K-COOP CENTER TREASURER, 2017-2021
- KMBA AREA COORDINATOR, 2019-2020

OTHER CORPORATE LEADERSHIP ROLES

- Member – Treasury Committee

TRAININGS, SEMINARS, AND EXPOSURES ATTENDED

2022

- National Microinsurance Forum: Facing Uncertainty through Strategic Innovations
Date: January 25-26
- KMBA Onboarding Program
Date: June 30
- Management Forum: Improving Regulatory Compliance and Operating Systems
Date: August 24-26

2021

- Governance and AMLA Workshop
Date: June 16-18
- Discovering Innovation through Digitalization
Date: July 26
- Leadership Training Workshop: Soft Skills for Servant Leadership
Date: August 11-13
- Communicating in the Next Normal
Date: December 13



SYLVIA TRIJO

MEMBER
BOARD OF TRUSTEES, KMBA

PROFILE

AGE: 62

BUSINESS/PROFESSIONAL BACKGROUND:

- Transport Operator

EDUCATION

- Undergraduate, Secondary School, Arellano University, 1978

TERM OF OFFICE

Three years (2022-2025)

TYPE OF DIRECTORSHIP

Non-Executive

LEADERSHIP EXPERIENCE

- K-COOP CENTER CHIEF, 2017-2019
- KMBA AREA COORDINATOR, 2020-2022
- VOLUNTEER, BARANGAY PARENT AND CHILD WITH DISABILITY

OTHER CORPORATE LEADERSHIP ROLES

- None

TRAININGS, SEMINARS, AND EXPOSURES ATTENDED

2022

- MILESTONE: MBA Coordinators, Kaagapay sa Mabilis at Maayos na Serbisyo
Date: March 14
- KMBA Onboarding Program
Date: June 30
- Leadership Training Workshop: Soft Skills for Servant Leadership
Date: July 27-29
- Governance & AMLA Workshop
Date: October 12-14



PHILIP ARNOLD P. TUAÑO

INDEPENDENT MEMBER
BOARD OF TRUSTEES, KMBA

PROFILE

AGE: 54

BUSINESS/PROFESSIONAL BACKGROUND:

- Dean, Ateneo School of Government, Ateneo de Manila University, June 2022 up to present

TERM OF OFFICE

Nine years (2017-2026)

TYPE OF DIRECTORSHIP

Non- Executive

EDUCATION

- Ph. D., Economics, University of the Philippines, 2015
- MA Economics, University of the Philippines, 2001
- MA Development of Economics, University of Sussex, 1996
- AB Major in Economics, Ateneo De Manila University, 1989

LEADERSHIP EXPERIENCE

- CHAIRPERSON AND ASSOCIATE PROFESSOR, ATENEO SCHOOL OF GOVERNMENT, ATENEO DE MANILA UNIVERSITY AUGUST 2022- PRESENT
- LECTURER, ECONOMICS DEPARTMENT, ATENEO DE MANILA UNIVERSITY, JUNE 2004-DECEMBER 2015; JUNE-OCT 1993; JUNE-OCT 1996; JUNE-OCT 1999
- LECTURER, POLITICAL SCIENCE DEPARTMENT, NOVEMBER 1997- MARCH 1998- DECEMBER 2015- MAY 2020
- ASSISTANT PROFESSOR, POLITICAL SCIENCE, JUNE 2019-PRESENT

OTHER CORPORATE LEADERSHIP ROLES

- Chairperson- Audit Committee
- Chairperson- Nomination & Election Committee
- Chairperson- Related Party Transaction Committee
- Vice President- Philippine Economic Society Inc., January- December 2022
- Board Treasurer and Trustee- International Center for Excellence, Transformation and Innovation in Governance, 2008-2014, 2017-present
- Member- Steering Committee, Philippine APEC Study Network, August 2022- present
- Member- Board of Directors, Philippine Economic Society Inc., December 2018- present

TRAININGS, SEMINARS, AND EXPOSURES ATTENDED

- | | |
|------|---|
| 2022 | <ul style="list-style-type: none">• National Microinsurance Forum: Facing Uncertainty through Strategic Innovations Date: January 25-26 |
| 2021 | <ul style="list-style-type: none">• Management Forum: Improving Regulatory Compliance and Operating Systems Date: August 24-26• Adaptive Design for Learning Training, ADMU Date: January 12• National Microinsurance Forum: Thriving in the New Normal Date: January 25-26• Webinar: Ensuring Continued Member Protection: The Mi-MBA Way Date: February 22• Lecture Series: Promoting Good Governance through Strengthened MBA-MFI/COOP Partnership Date: March 22• Learning Series with Spark: Introduction to Risk Management Date: May 20• United Board Fellows Program Training Date: June 18, 20-21• United Board for Christian Higher Education in Asia Date: June 19 & 26• Empath Psychosocial Support Training, ADMU Date: July 3 & 10• Discovering Innovation through Digitalization Date: July 26• Social Science 14 Teacher Training Session Date: August 6• Leadership Training Workshop: Soft Skills for Servant Leadership Date: August 11-13• Communicating in the next normal Date: December 13 |



ATTY. MARIA CLEOFE GETTIE C. SANDOVAL

INDEPENDENT MEMBER
BOARD OF TRUSTEES, KMBA

PROFILE

AGE: 60

BUSINESS/PROFESSIONAL BACKGROUND:

- Lawyer
- Policy, Law, and Gender Consultant
- Faculty, School of Law, Ateneo de Manila University, Makati City
- Instructor/ Subject Expert: Medical Jurisprudence Ateneo School of Medicine and Public Health, Ateneo de Manila University, June 2009 - March 2012

TERM OF OFFICE

Nine years (2018-2027)

TYPE OF DIRECTORSHIP

Non- Executive

EDUCATION

- Juris Doctor, Ateneo De Manila University Law School, 1991
- BA Major in Economics, Ateneo De Manila University, 1985

LEADERSHIP EXPERIENCE

- UNDERSECRETARY FOR PROGRAMS, OFFICE OF THE PRESIDENT OF THE PHILIPPINES OFFICE OF THE PRESIDENTIAL ADVISER ON THE PEACE PROCESS, JULY 1, 2011 - JUNE 30, 2016
- ASSISTANT SECRETARY, OFFICE OF THE PRESIDENTIAL ADVISER ON THE PEACE PROCESS, OFFICE OF THE PRESIDENT OF THE PHILIPPINES PASIG CITY, JANUARY - AUGUST 2004
- DIRECTOR III, NATIONAL ANTI-POVERTY COMMISSION, OFFICE OF THE PRESIDENT OF THE PHILIPPINES, QUEZON CITY, MARCH 2001 TO DECEMBER 2003
- CHIEF OF STAFF/ POLITICAL LEGISLATION OFFICER CHIEF, OFFICE OF REPRESENTATIVE PATRICIA M. SARENAS, PARTY-LIST ABANSE! PINAY, HOUSE OF REPRESENTATIVES, CONGRESS OF THE PHILIPPINES, QUEZON CITY, 1998-1999
- ASSOCIATE DIRECTOR FOR FIELD OPERATIONS, LEADERS FOR HEALTH PROGRAM HEALTH UNIT, ATENEO GRADUATE SCHOOL OF BUSINESS, ATENEO DE MANILA UNIVERSITY, JANUARY 2007 - SEPTEMBER 2008
- PROJECT OFFICER HEALTH UNIT, ATENEO GRADUATE SCHOOL OF BUSINESS ATENEO DE MANILA UNIVERSITY, OCTOBER 2008 - MARCH 2011
- COORDINATOR, WOMEN'S UNIT 2 SENTRO NG ALTERNATIBONG LINGAP PANLIGAL (SALIGAN) ALTERNATIVE LEGAL ASSISTANCE CENTER, INC., 1990 - 2001; SEPTEMBER 2004 TO DECEMBER 2006
- MEMBER, PHILIPPINE BAR INTEGRATED BAR OF THE PHILIPPINES, QUEZON CITY CHAPTER

OTHER CORPORATE LEADERSHIP ROLES

- Chairperson- Board Risk Oversight Committee
- Member- Audit Committee
- Member- Nomination and Election Committee

TRAININGS, SEMINARS, AND EXPOSURES ATTENDED

- | | |
|------|---|
| 2022 | <ul style="list-style-type: none">• National Microinsurance Forum: Facing Uncertainty through Strategic Innovations Date: January 25-26 |
| 2021 | <ul style="list-style-type: none">• Management Forum: Improving Regulatory Compliance and Operating Systems Date: August 24-26• National Microinsurance Forum: Thriving in the New Normal Date: January 25-26• Webinar: Ensuring Continued Member Protection: The Mi-MBA Way Date: February 22• Lecture Series: Promoting Good Governance through Strengthened MBA-MFI/COOP Partnership Date: March 22• Learning Series with Spark: Introduction to Risk Management Date: May 20• Governance and AMLA Workshop Date: June 16-18• Discovering Innovation through Digitalization Date: July 26• Leadership Training Workshop: Soft Skills for Servant Leadership Date: August 11-13• Communicating in the next normal Date: December 13 |

BOARD ROLES AND RESPONSIBILITIES

The specific responsibilities of the Board are indicated in the Association’s Corporate Governance Manual. It clearly states that adherence to the principles of good corporate governance is the ultimate responsibility of and begins with the Board of Trustees of KMBA. As they exercise their corporate authority alongside being responsible for directing and managing the Association's programs and services. Approval of the annual plans and budget is done every November of each year.

Being in a position of trust and confidence, they must therefore act in a manner that is characterized by transparency, accountability and fairness.

CONTINUING EDUCATION AND LEADERSHIP DEVELOPMENT OF THE BOARD OF TRUSTEES

Continuous education and leadership development despite the ongoing pandemic are of utmost importance as it keeps the Board fluent regarding rapidly developing topics and raises the bodies’ commitment to personal performance improvement. Budget for trainings, learning exchanges and exposures for the Board of Trustees and employees are included in the annual projections.

The year 2022 paved the way for hybrid trainings—a mixture of virtual and in-person trainings; as slowly most are adapting to the new normal. Four Hundred Seventy-Seven Thousand (Php 477,000.00) was spent this year for capacity-building sessions including international exposures. The Board gained valuable learnings and insights about a wide-range of topics especially on digitalization, leadership, and risk management as well as IC-mandated trainings and seminars.

BOARD MEETINGS

The KMBA Board of Trustees convened in eight (8) regular meetings and Annual General Meeting last year. Meetings were either hybrid (mixture of virtual and face-to-face attendance) or purely in-person. In-person meetings were held at the KMBA Members’ Center Bldg. Attendees are advised to practice minimum public health standards in attending the in-person meetings.

The Board draws up annually a calendar of meetings, and implements an attendance policy for members and committees to ensure participation and quorum.

| Trustee | Designation | Annual Meeting | Regular Meeting | % |
|-------------------------------------|----------------|----------------|-----------------|-----|
| Enriqueta V. Navarro (2019-2022) | President | ☑ | 5 | 100 |
| Alma D. Gilbaliga (2019-2022) | Vice-President | ☑ | 5 | 100 |
| Teresita D. Padel (2019-2022) | Treasurer | ☑ | 5 | 100 |
| Jonalyn T. Andres (2020-2022) | Secretary | ☑ | 5 | 100 |

| Trustee | Designation | Annual Meeting | Regular Meeting | % |
|--|-------------------|-------------------------------------|-----------------|-----|
| Marlin C. Perez (2021-2024) | President | <input checked="" type="checkbox"/> | 3 | 100 |
| Nelly S. Vengano (2022-2025) | Vice-President | <input checked="" type="checkbox"/> | 3 | 100 |
| Emelda A. Castro (2022-2025) | Treasurer | <input checked="" type="checkbox"/> | 2 | 67 |
| Joseph B. Lopez (2022-2023) | Secretary | <input checked="" type="checkbox"/> | 2 | 67 |
| Jeronima C. Teodoro (2021-2024) | Member | <input checked="" type="checkbox"/> | 3 | 100 |
| Sylvia A. Trijo (2022-2025) | Member | <input checked="" type="checkbox"/> | 2 | 67 |
| Myrna N. Verdadero (2022-2025) | Member | <input checked="" type="checkbox"/> | 3 | 100 |
| Philip Arnold P. Tuano (2020-2023) | Independent Board | <input checked="" type="checkbox"/> | 8 | 100 |
| Ma. Cleofe Gettie C. Sandoval (2021-2024) | Independent Board | <input checked="" type="checkbox"/> | 8 | 100 |

BOARD COMMITTEES

The Board committees all serve a one-year term, with this, elections for committee positions were held in the 16th Annual General Meeting.

Aside from the term of office, the composition of the committee, qualifications and selection are all set in the Association's Corporate Governance Manual.

In the 2022 Annual General Meeting, Independent Trustee Philip Arnold Tuaño informed the Assembly the proposal of the Board of Trustees in compliance to the issued directive of the Insurance Commission on the formation of a Remuneration Committee, a mandatory committee that MBAs should have. The main task of the committee is to set policies regarding the compensation and benefits of employees at the executive level. This is composed of Independent Trustees who will assist the Board to ensure a sound remuneration system for the executive officers of the organization. The Assembly ratified the creation of the Remuneration committee.

Below is the Board committee's composition and their members' participation in committee meetings and the matters discussed by each Committee in 2022.

AUDIT COMMITTEE

The Audit Committee is composed of two (2) Independent members and one board member with relevant background, knowledge and experience in the areas of accounting, auditing and finance.

Pursuant to the Corporate Governance Manual, independent Trustees make up the Audit Committee. Directly accountable to the General Assembly. The Audit Committee continuously monitors the adequacy and effectiveness of the KMBA's management control system, internal and external audit processes and compliance with applicable laws and regulations and has the power to audit the performance of its operations.

The Audit Committee held seven (7) meetings last year to discuss and decide on the following matters:

1. Engagement meeting with the External Auditor and planning for audit schedule
2. Review of possible related party transactions
3. Initial Findings of the External Auditor
4. Presentation of Audited Financial Reports and exit meeting
5. Exit Meeting with External Auditor
6. Selection and Appointment of External Auditor
7. Presentation and Approval of the Annual Audit Plan
8. Presentation of Q1 Audit Results and Internal Audit Charter
9. Internal Audit Report- 2nd and 3rd Quarter

Through these meetings, the Committee performs its role of providing internal audit service to the Association, in coordination with the Internal Audit of the Service of the KSO, prior to the independent review of the external auditor. The Internal Audit Services Unit of KSO includes in the scope of their audit monitoring and assessment of the Association's control and management systems and reports the same to the Audit Committee for their deliberation.

While the committee requires one member with accounting, auditing, and finance background/expertise, the current committee Chairperson has extensive background on the field of Economics and attended trainings/seminars relevant to the effective conduct of his role.

| COMMITTEE MEMBER | DESIGNATION | NO. OF MEETINGS | MEETINGS ATTENDED | % |
|----------------------------------|--------------------|------------------------|--------------------------|----------|
| Phillip Arnold P. Tuaño | Chairperson | 7 | 7 | 100 |
| Ma. Cleofe Gettie C. Sandoval | Member | 7 | 6 | 86 |
| Alma D. Gilbaliga (2021-2022) | Member | 7 | 6 | 86 |
| Emelda A. Castro (2022-2023) | Member | 7 | 7 | 100 |

TREASURY COMMITTEE

The Treasury committee is composed of Five (5) members; Three (3) from KMBA Board of Trustees, Two (2) from KDCI's Board of Trustees and KMBA General Manager.

The Treasury Committee is accountable to the administration of the organization's treasury, examination and evaluation of its financial condition covering cash management, liquidity, corporate finance and risk management. Its main task is to review, advise, and recommend approval, decision, or action on financial matters.

Acting on its mission, the committee held a total of three (3) meetings last year, with the following agenda:

1. Review financial statements of the Association and identify investible funds
2. Review the risk policy statement of the Association
3. Monitor the Mutual Security Fund (MSF)
4. Review the MIMAP Pooled Investments managed by BPI Bayanihan Balanced Fund

| COMMITTEE MEMBER | DESIGNATION | NO. OF MEETINGS | MEETINGS ATTENDED | % |
|-------------------------------------|-------------|-----------------|-------------------|-----|
| Enriqueta V. Navarro (2021-2022) | Chairperson | 1 | 1 | 100 |
| Marlin C. Perez (2022-2023) | Member | 2 | 2 | 100 |
| Sylvia A. Trijo | Member | 2 | 2 | 100 |
| Eduardo Pangan | Member | 3 | 3 | 100 |
| Silvida R. Antiquera | Member | 3 | 3 | 100 |

PRODUCT DEVELOPMENT AND INNOVATION COMMITTEE

This committee is composed of Five (5) members; Three (3) from KMBA Board of Trustees, Two (2) from Area Coordinators

The Product Development and Innovation Committee is tasked to work in cooperation regarding management, enhancement and launch of the product. The committee shall regularly review and consider the recommendations from KMBA members and management team and shall regularly report to KMBA Board of Trustees for information and approval.

Last year, this Committee convened three (3) times to tackle the following concerns:

1. K-Bente Group Policy Renewal
2. Review of the existing Partnership with Malayan
3. Review of Eight (8) Hour Claims Settlement Policy

| COMMITTEE MEMBER | DESIGNATION | NO. OF MEETINGS | MEETINGS ATTENDED | % |
|----------------------------------|-------------|-----------------|-------------------|-----|
| Myrna N. Verdadero | Chairperson | 3 | 3 | 100 |
| Jonalyn T. Andres (2021-2022) | Member | 2 | 2 | 100 |
| Joseph M. Lopez (2022-2023) | Member | 1 | 1 | 100 |
| Enriqueta V. Navarro | Member | 3 | 2 | 67 |
| Sylvia Trijo | Member | 3 | 2 | 67 |
| Remy Estrera | Member | 3 | 3 | 100 |
| Luzviminda Bata | Member | 3 | 2 | 67 |

NOMINATION AND ELECTION COMMITTEE

The Nomination and Election Committee shall have Five (5) members – at least (2) Independent Trustee, One (1) Board of Trustee and Two (2) Area Coordinator.

With the conduct of the elections via electronically, the Committee provided leadership and supervised the transparent conduct, manner, and procedure of elections of Committee members in 2022, including canvassing and certifying election results, proclaiming the winning candidates.

For the year 2022, all the independent trustees of the Association are in this committee. In figures that is two (2) out of five (5) members or 40% of the Nomination and Election Committee.

To prepare it for its all-important role, the Committee held three (3) meetings last year:

1. Review of the Election Rules and Guidelines, policy and process, calendar of activities for 2022 Board Election
2. Presentation of Potential Coordinators for nomination, schedule of activities to satellite office, preparation of Nomination and Proxy Votes Forms
3. Preparation of accomplished proxy votes form for consolidation and actual canvassing

| COMMITTEE MEMBER | DESIGNATION | NO. OF MEETINGS | MEETINGS ATTENDED | % |
|-------------------------------|-------------|-----------------|-------------------|-----|
| Phillip Arnold P. Tuaño | Chairperson | 3 | 3 | 100 |
| Ma. Cleofe Gettie C. Sandoval | Member | 3 | 3 | 100 |
| Teresita D. Padel | Member | 3 | 3 | 100 |
| Elvira A. Baldoza | Member | 3 | 2 | 67 |
| Teresita N. Fortuna | Member | 3 | 2 | 67 |

ETHICS COMMITTEE

The Ethics Committee shall be composed of Five (5) members. Majority of which are Board of Advisers who also served as BoT president of KMBA.

The Ethics Committee actively disseminates, promotes, and implements the approved Code of Ethics and Conduct of the Association, which must be observed by members, officers and employees alike. The Committee likewise conducts initial investigation and/or inquiry upon receipt of complaints of non-compliance with the Code, and other illegal or corrupt practices. The Committee submits its recommendation to the Board for appropriate sanctions.

Last year, the committee held three (3) meetings with the following agenda:

1. Review of the organization Code of Ethics
2. Review of Anti-Fraud Manual and Anti-Corruption Policy
3. Review of Board Assessment Tools
4. Conduct of annual board performance assessment

| COMMITTEE MEMBER | DESIGNATION | NO. OF MEETINGS | MEETINGS ATTENDED | % |
|------------------------|-------------|-----------------|-------------------|-----|
| Wenifreda F. Rodriguez | Chairperson | 3 | 3 | 100 |
| Leticia T. Rodriguez | Member | 3 | 3 | 100 |
| Chona B. Capayas | Member | 3 | 3 | 100 |
| Isabel M. Iliw-iliiw | Member | 3 | 3 | 100 |

RISK MANAGEMENT COMMITTEE

The Risk Management Committee shall be composed of Five (5) members, three (3) from the board and two (2) from the Area Coordinators.

The Risk Management Committee shall be in charge of the management of both financial and non-financial risks of the organization, continuously monitor these risks and ensure that internal controls are in place. Risk Management Committee shall promote a risk management culture across the organization by nurturing the business units with sufficient knowledge on preventing and foreseeing risk events.

The Risk Management Committee is actively in coordination with the KSO Risk Management Committee. Last year, the committee convened three (3) times with the following agenda:

1. Risk Assessment and Management Plan for 2022
2. Review of Organization Risk Exposure
3. Review and Approval of Risk Management Manual

| COMMITTEE MEMBER | DESIGNATION | NO. OF MEETINGS | MEETINGS ATTENDED | % |
|--------------------|-------------|-----------------|-------------------|-----|
| Marlin C. Perez | Chairperson | 3 | 3 | 100 |
| Emelda A. Castro | Member | 3 | 3 | 100 |
| Luzviminda Bata | Member | 3 | 3 | 100 |
| Lolita de Vera | Member | 3 | 3 | 100 |
| Emerenciana Manalo | Member | 3 | 3 | 100 |

BOARD RISK OVERSIGHT AND CORPORATE GOVERNANCE COMMITTEE

This Committee shall be composed of Two (2) Independent Trustee, the Chairperson of the BROCC should not be a chairperson of any other committee.

The Board Risk Oversight Committee (BROC) together with the Corporate Governance Committee is responsible for the oversight of the company's Enterprise Risk Management System both financial and non-financial risks of the organization and continuous assessment to ensure its functionality and effectiveness and to assist the board in the performance of its corporate governance responsibilities. It sets the tone and culture of effective risk governance structure and sets the organizational risk strategies. The Board Risk Oversight Committee is actively working with the Risk Management Committee in addressing material risks which may have operational and financial impact.

Last year, the committee held three (3) meetings with the following agenda.

1. Review of VMG and Good Corporate Governance
2. Review of Board Risk Oversight Committee Charter
3. Review of Risk Management Manual

| COMMITTEE MEMBER | DESIGNATION | NO. OF MEETINGS | MEETINGS ATTENDED | % |
|-------------------------------|-------------|-----------------|-------------------|-----|
| Phillip Arnold P. Tuaño | Chairperson | 3 | 3 | 100 |
| Ma. Cleofe Gettie C. Sandoval | Member | 3 | 3 | 100 |

RELATED PARTY TRANSACTION COMMITTEE

The Related Party Transaction Committee shall be composed of Two (2) Independent Trustees, and one (1) Board Adviser

The Related Party Transaction Committee is established to enhance corporate transparency and promote fair transactions. The Committee is responsible for reviewing related party transactions. Together with the Audit Committee, this Committee is in charge with ensuring that all transactions with its partner organization, bank dealings and other stakeholders are imbued with the highest standard of integrity. This Committee is appointed by the Board of Trustees to assist the management in fulfilling its responsibility to strengthen corporate good governance and practices particularly on Related Party Transactions.

Last year, the committee held three (3) meetings with the following agenda.

1. Review of all Possible Related Party Transaction
2. Confirmation of all material Related Party Transactions
3. Review of Related Party Transactions Committee Charter

| COMMITTEE MEMBER | DESIGNATION | NO. OF MEETINGS | MEETINGS ATTENDED | % |
|-------------------------------|-------------|-----------------|-------------------|-----|
| Phillip Arnold P. Tuaño | Chairperson | 3 | 3 | 100 |
| Ma. Cleofe Gettie C. Sandoval | Member | 3 | 3 | 100 |
| Isabel M. Iliw-iliw | Member | 3 | 3 | 100 |

REMUNERATION COMMITTEE

The Remuneration Committee shall be composed of Two (2) Independent Trustees, and one (1) Board of Trustee.

The Remuneration Committee involves setting the policy on the remuneration of senior management personnel. It is clear that reward is essential for motivating such executives to achieve a positive outcome for stakeholders. The goal is deciding how remuneration should work in practice and that compensation should always be tied to performance. The Remuneration Committee should have a high level of understanding of both internal and external factors that may affect their decisions, including the factors above and the business culture. The committee should understand the company's existing approach to remuneration and the current policies in terms of notice and severance agreements.

Last year, the committee held two (2) meetings with the following agenda:

1. Review of KSO Salary scale
2. DOLE Wage increase, employee's benefits
3. Kasagana-ka Performance Evaluation

| COMMITTEE MEMBER | DESIGNATION | NO. OF MEETINGS | MEETINGS ATTENDED | % |
|-------------------------------|-------------|-----------------|-------------------|-----|
| Ma. Cleofe Gettie C. Sandoval | Chairperson | 2 | 2 | 100 |
| Phillip Arnold P. Tuaño | Member | 2 | 2 | 100 |
| Marlin C. Perez | Member | 2 | 2 | 100 |

BOARD OF ADVISERS

The Board of Advisers of the Association is composed of the former Board Presidents and heads of its sister organizations as it puts a premium on the experience and knowledge of its past leaders and the organizations that form part of KSO. They are tapped and trusted to provide guidance, and timely and relevant advice on financial and programmatic matters up for deliberation by the Board.

They are invited to attend KMBA regular and/or special Board meetings and to participate actively during discussions by sharing their ideas on the topics or agenda at hand, thus helping the Board of Trustees in arriving at better policy decisions for the Association.

REMUNERATION POLICY FOR THE BOARD AND THE GENERAL MANAGER

The Trustees, Board Committee members, Coordinators, and Advisers do not receive any compensation for their services, save for actual reimbursements of the monitoring and transportation expenses incurred in the performance of their duties and responsibilities.

The ongoing pandemic provided for lesser expenses in terms of monitoring and transportation of KMBA officers and coordinators last year. Slowly easing into the new normal, trainings or meetings are either in-person or virtual. For the latter, reimbursements were provided in the form of assistance to ensure adequate cellular data was available for the duration of virtual meetings and webinars.

A total of Php 163,800.00 was released for transportation and communication expenses for the year 2022.

| TRUSTEE | AMOUNT REIMBURSED |
|----------------------|-------------------|
| Enriqueta V. Navarro | Php 9,000.00 |
| Alma D. Gilbaliga | 9,000.00 |
| Teresita D. Padel | 9,000.00 |
| Jeronima C. Teodoro | 21,600.00 |
| Marlin C. Perez | 21,600.00 |
| Nelly S. Vengano | 12,600.00 |
| Emelda A. Castro | 12,600.00 |
| Sylvia A. Trijo | 12,600.00 |
| Myrna N. Verdadero | 12,600.00 |

| TRUSTEE | AMOUNT REIMBURSED |
|-------------------------------|-------------------|
| Phillip Arnold P. Tuaño | 21,600.00 |
| Ma. Cleofe Gettie C. Sandoval | 21,600.00 |
| TOTAL | Php 163,800.00 |

The KASAGANA-KA Synergizing Organizations (KSO)-wide Human Resource (HR) Committee oversees the compensation and benefits policy across all KSOs, including the KMBA employees and General Manager. The KMBA President sits as a member of said HR Committee.

The HR Committee submits its recommendations to the KMBA Board of Trustees for consideration and appropriate action. Should the HR Committee recommendations include the compensation of the General Manager, the Trustees convene in an executive session, without the General Manager, to deliberate and decide on the matter.

The General Manager receives a monthly compensation equivalent to One Hundred Twenty-Eight Thousand Thirty-Eight Pesos (Php 128,038.00) based on the recommendations made by the HR Committee and duly approved by the Board of Trustees of KMBA.

PERFORMANCE APPRAISALS OF THE BOARD, COMMITTEE MEMBERS, AND THE GENERAL MANAGER

As part of good governance, KMBA Board and Committee members conducted regular semi-annual and Annual Board and Committee performance evaluations to assess the effectiveness of board and committee member's performance. Based on the 2022 assessment, the performance evaluation of the Board and Committee have performed its duties and responsibilities effectively.

Performance self-assessment is held twice a year. Trustees and Committees rate themselves and the Board or Committee as a body, based on a set of parameters that evaluates their level of participation, as well as the ability of the body to deliver on its mandate.

The results of the assessment inform the concerned body and management on areas that require more attention in order to maintain sound corporate governance, both at the Board and Committee levels.

In assessing the General Manager's performance, on the other hand, the Board meets in an executive session at the end of each semester. The GM's performance is rated against a set of quantitative and qualitative criteria. The results of the evaluation become the basis for the grant of a performance bonus to the General Manager. The same process of performance evaluation and grant of performance bonus applies to all KMBA employees.

Results of the performance appraisals are discussed in the Board meetings, including areas for improvement.

OTHER CORPORATE GOVERNANCE UPDATES

INDEPENDENT TRUSTEES

The By-Laws as well as the Corporate Governance Manual of the KMBA refers to an independent Trustee as a person who has no business, relationship, or other position with KMBA or its partner organizations which could, or could reasonably be perceived to, materially interfere with the exercise of her independent judgment in carrying out responsibilities as a member of the Board.

Two independent members have joined the nine-person Board of Trustees - Mr. Philip Arnold P. Tũaño and Atty. Maria Cleofe Gettie C. Sandoval. This translates to 20% of the Board of Trustees taking into consideration the size of the Association. Their professional background in the fields of economics and law, respectively, have proven invaluable in the decision-making process of the Board. Moreover, as independent Trustees, they play key roles in the Audit and Risk Management Committees.

Also, being a member-based organization of primarily women from the urban poor communities, KMBA desires that the majority of its Board of Trustees are from its members. This is also to put more emphasis on empowering women from the communities by giving them leadership opportunities.

INTERNAL AND INDEPENDENT AUDITS

The KSO has an Internal Audit Service led by Randy Laresma, the Internal Audit Manager, which caters to the internal audit requirements of the different organizations, including KMBA. The Service works in coordination with the KMBA Audit Committee for the review of internal audit processes as part of an internal audit plan. The internal auditor reports directly to the Board of Trustees, regarding her/his independent and objective evaluation of the Association's financial and operational business activities, including its corporate governance and/or operational efficiency.

IAs approved by the Audit Committee, the scope of internal audit activities encompasses but is not limited to, objective examinations and evaluation of the adequacy and effectiveness of governance, risk management, and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the organization's goals and objectives. Internal audit assessments include evaluating whether:

- Risks relating to the achievement of KMBA's strategic objectives are appropriately identified and managed.
- The actions of KMBA's officers, directors, employees, and contractors are in compliance with its policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the organization.
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

For the year 2022, the Internal Audit Services accomplished the following:

- Presentation of the Internal Audit report on Property, Plant and Equipment Audit (February 9, 2022)
- Presentation and Approval of the Annual Internal Audit Plan for 2022 (February 9, 2022)
- Reports on quarterly audits done in relation to funds, review of systems, existing processes including internal controls (August 4, 2022)
- Oversee the election process

All of this was reported and discussed by the Audit Committee and the Board of Trustees. The recommendations of the IAS unit are as follows:

- Maintain good practices in managing funds
- Correct identified errors in the system and keep a monitoring log for encountered system errors for tracking and evaluation purposes
- Observe the segregation of duties in the payroll cycle

To ensure an unbiased and objective review of these processes, the Audit Committee is composed of independent Trustees. Nonetheless, the review of an independent external auditor is still necessary, pursuant to government regulations and KMBA's own governance rules, unbiased, professional opinion on the truthfulness of KMBA's financial statements, and assesses the systems in place to protect the Association from various financial risks.

The external auditor selection process begins with a review by the Audit Committee, which then submits its recommendations to the Board. The final selection of the External Auditor is subject to the decision of the KMBA members in the Annual General Meeting (KMBA Corporate Governance Manual).

For the independent audit of the 2022 Financial Statements, the general membership approved the engagement of the audit firm of Roxas Cruz Tagle and Co. Total fees incurred for the firm's auditing services amounted to Php 303,022.00, exclusive of Value Added Taxes (VAT) and other out-of-pocket expenses amounting to Php 36,051.00.

The terms of reference for the procurement of the services of an external auditor is clear as to its requirement to audit the financial statements of the Association as of December 31, 2022. As such, the external auditor was not asked to perform any non-audit service. Nevertheless, in order to prevent any conflict of interest from arising, KMBA upholds a policy of full disclosure should the external auditor be, in the future, engaged in providing non-audit services, whether for a fee or not. Like in 2021, disclosure is not required for the year 2022 since there are no non-audit services rendered.

MANAGEMENT OF KEY RISKS

There is a constant effort to uphold, if not strengthen, KMBA’s risk management policy and undertake periodic assessments of the various risks that the Association faces in all areas of operations and administration, approximate their probability, and determine ways to minimize, if not completely avoid their negative effects. Last year, the Risk Management Committee came up with a risk management plan, which was approved by the Board. Work on the risk management manual adoption is underway.

| | |
|-----------------------|---|
| <p>LIQUIDITY RISK</p> | <p>This refers to the risk that the Association will not be able to meet its financial obligations as they fall due, basically from lack of funding to finance its growth and capital expenditures.</p> <p>The Board and management work closely to manage the Association's liquidity profile by ensuring 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.</p> |
| <p>CREDIT RISK</p> | <p>Member credit risk is managed by analyzing the credit risk for each new member before standard payment and appropriate 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 any credit losses.</p> <p>Credit risk from balances with banks is managed by ensuring that deposit arrangements are with reputable and financially sound counter-parties.</p> |

| | |
|-----------------|---|
| CREDIT RISK | <p>The credit quality of the Association's financial assets is evaluated using internal credit rating. Financial assets are considered as a high grade if the counterparties are not expected to default in settling their obligations, thus credit risk exposure is minimal. These counterparties include banks, related parties, and members who pay on or before the due date. KMBA's bases in grading its financial assets are as follows:</p> <ul style="list-style-type: none"> • High grade. These are receivables that have a high probability of collection (the counterparty has the apparent ability to satisfy the obligation and the security on the receivables are readily enforceable). • Standard. These are receivables where collection is probable due to the reputation and the financial ability of the counterparty to pay, but which have been outstanding for a certain period of time. • Substandard. Receivables that can be collected provided KMBA makes persistent effort to collect them. |
| COMPLIANCE RISK | <p>This arises from violations or non-conformity with laws, rules and regulations, circulars, and prescribed practices of the Insurance Commission, and other regulatory bodies, that may expose KMBA to fines and penalties.</p> <p>In managing these risks, no less than the General Manager performs the vital role of the Compliance Officer. KMBA prepares an annual compliance calendar that guides it on reportorial requirements and the deadlines set for each. Regular communications with the network also help in keeping the Association abreast with developments in the industry regulatory landscape.</p> |

FINANCIAL PERFORMANCE INDICATORS

KMBA has been consistently compliant with financial policies and administrative regulations implemented by the Insurance Commission. Specifically, it strictly adheres to the following policies:

- Administrative costs shall not exceed 20% of the Association's total gross revenue; and
- High ratio in the Risk-Based Capital (RBC) framework

NON-FINANCIAL PERFORMANCE INDICATORS

KMBA was successful in transitioning to an online claims processing, with claims paid out within eight hours from notification. This is a very significant reduction in processing time, and it could not have happened at a more opportune time. The shift to online claims processing speaks of management's dedication to timely deliver services to its members, without compromising anyone's health.

By now, the annual recognition KMBA receives for its outstanding performance in the ASEAN Corporate Governance Scorecard has become a concrete evidence of its efforts to abide by good governance principles in all areas of its operations. Second year into the pandemic, the Association was able to maintain its spot in the overall ranking. Consistency and teamwork has been the key. Yet, KMBA understands that there is plenty of room for improvement. ACGS recommendations are taken seriously into consideration in reviewing the Manual and enforcing compliance thereto.

POLICY ON DIVIDENDS

KMBA does not declare dividends for distribution to its members.

Nevertheless, the amended Insurance Code of the Philippines, implemented by Circular Letter No. 2015-46 dated 8 September 2015, allows mutual benefit associations like KMBA to transfer the excess of its free and unassigned surplus to the members' benefits fund for distribution to members, whether in cash or in kind, and after having been duly verified by the Insurance Commission.

For the year 2022, Members' benefits are in the form of Calamity Assistance of Php 3,000.00 per affected member amounting to a total of Php 51,000.00, and the Kuya Jun Scholarship Program amounting to a total of Php 498,000.00.

RELATED PARTY TRANSACTIONS

Related party may be individual or corporate entities. It includes: (a) Members of KMBA's Board of Trustees, sister organizations KDCI and K-Coop, as well as partner organizations; (b) KMBA's General Manager and key officers, including anyone who directly reports to the Board of Trustees; and (c) any person whose judgment or decisions could be influenced in making financial or operating decisions, as a consequence of an arrangement or relationship between or involving themselves and any person mentioned above.

The Audit Committee, which is comprised entirely of independent trustees, shall be responsible for the review and approval of any material related-party transactions of conflict of interest issues involving members of the Board and the Management Team to ensure that these are conducted or resolved in the best interest of KMBA and its members. As directed by the Board, the Committee may also be required to review pending transactions between KMBA and its partner organizations. The overall responsibility regarding Related-Party Transactions rests with the Board of Trustees.

In 2022, the Audit Committee found no material interests or dealings with any Trustee or key officers of the KMBA management. Nonetheless, the Association continues to engage in the ordinary course of business and at arm's length with sister organization Kabuhayan sa Ganap na Kasarinlan Credit and Savings Cooperative (K-Coop), a cooperative duly organized and registered with the Cooperative Development Authority.

Related Party Transactions between KMBA and its related party/ies were conducted in the normal course of its business and within the association's arm's length.

Below is the summary of business transactions with related parties in 2022:

| NAME OF RELATED PARTY | RELATIONSHIP | NATURE OF RELATED PARTY TRANSACTION | AMOUNT OF RELATED PARTY TRANSACTION |
|---|---------------------|--|--|
| Kabuhayan sa Ganap na Kasarinlan Credit and Savings Cooperatiive (K-COOP) | Partner | Unremitted contribution dues and fees | Php 3,790,824.28 |
| | | Unremitted CLIP Premiums | 1,180,208.84 |
| | | Unremitted HIIP Premiums | 295,075.00 |
| | | Receivables to (from) | 839.31 |
| | | Payable to K-COOP | 2,831,687.98 |

Members of K-Coop, who are primarily urban poor women, are the main target market of the microinsurance program of KMBA. The Association effectively taps the infrastructure of the K-Coop to reach approximately three-quarters of all KMBA members, help promote its insurance products, and collect premium payments and other membership fees.

By yearend, KMBA through the Related Party Transaction Committee declared that transactions between KMBA and K-COOP were based on standards and there was nothing that required attention. Further, the amounts involved have been remitted by the concerned organization.

Moreover, Trustees and committee members shall, upon election, accomplish a Declaration of Material Interests, so that any related-party transactions will be conducted in an arm's length basis. This is part of their Board files.

SUSTAINABILITY REPORTING

Beyond the bottom line or mere adherence to good governance practices, it is staying true to its mission that inspires KMBA to look past financial matters and try to help Filipino families improve their lives through its products and services.

As a mutual benefit association committed to giving assistance to the poorest Filipino families in times of social security needs, KMBA has always been conscious of its contributions to society. It has always been careful in adopting programs and policies, studying how these affect its stakeholders, the environment, and the general public.

In years past, the Association has made public, through its website, Annual Reports, and statutory submissions, its various policies, such as on procurement, anti-corruption, employee management, and environment-friendly practices.

In 2019, the Securities and Exchange Commission (SEC) issued sustainability reporting guidelines for publicly-listed companies, to enable the latter to “measure and monitor their contributions towards achieving the universal target of sustainability,” as well as in supporting national policies and programs.

According to the SEC, sustainability reporting (also known as EESG or economic, environmental, social, and governance reporting) “is an organization’s practice of reporting publicly on its significant economic, environmental and/or social impacts, in accordance with globally accepted standards. Such disclosures enable organizations to measure, understand, and communicate their EESG performance and then set goals and manage change more effectively.”

Although the set of SEC guidelines is intended for publicly-listed companies, KMBA will endeavor to follow it as a guide, especially since it builds on four of the globally accepted frameworks on sustainability reporting. These are the (i) Global Reporting Initiative’s (GRI) Sustainability Reporting Standards, (ii) the International Integrated Reporting Council’s Integrated Reporting Framework, (iii) the Sustainability Accounting Standards Board’s Sustainability Accounting Standards, and (iv) the recommendations of the Task Force on Climate-related Financial Disclosure.

KMBA understands that these reporting standards cover a lot of areas. While much work is yet to be done, the Association will work little by little towards full compliance with these frameworks. It is hoped that its sustainability report will aid the Association in assessing how its overarching mission impacts national and universal sustainability objectives.

For 2022, this portion of the EESG report will discuss KMBA policies as to Economic Impact, in terms of direct economic value generated and distributed as well as procurement practices; Environmental Impact, in terms of use of resource management and adoption of an environment-friendly value chain; Social Impact, in terms of employee management, respect of creditor’s rights, and members’ welfare.

A. DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

The Association generated P51,514,945.00 in revenue for the entire year.

On the other hand, operating expenses reached P12,985,892.00. Taxes remitted to the government amounted to P919,217.00. This includes tax on rent income, real property tax and tax withheld on employees’ compensation.

As discussed above, the Association continues to invest in the youth through the Kuya Jun Scholarship Program, for which Php 498,000.00 in stipend was disbursed for the year. Calamity assistance for victims of typhoons, and fire, received Php 51,000.00 in financial aid.

PROCUREMENT POLICY

The Association adopts a bidding process to ensure that engagements with suppliers and contractors are impartial, transparent, and to the best interest of KMBA. The Board sets a minimum for contract amounts to be covered by the Association's bidding processes. A minimum of three (3) suppliers shall submit their respective proposals and profiles for each bidding process. An ad hoc bids and awards committee may be formed to lead the bidding and selection process. The General Manager and one (1) of the independent Board members will lead the bidding and selection process. All decisions and selections shall be approved by the Board. (KMBA Corporate Governance Manual)

In purchasing office supplies and equipment and in contracting for services, at least three price quotations are secured from different suppliers and service providers. The Association believes that supplier/contractor selection is vital regardless of the size of the transaction. Supplier selection is based on:

- COMPETENCY • Company registration and other business documents
 - Past track record/Level of industry-relevant experience
 - Key customers
- COST • Price
 - Value for Money
- COMMITMENT • Quality
- TO QUALITY • Responsiveness and Reliability
- CULTURE • Business values match

The Policy also prohibits transactions involving solicitation, and directly or indirectly accepting gifts, commissions, and other forms of payment from members, suppliers, and other parties in exchange for favorable treatment.

There were no issues on suppliers and service providers of the Association in 2022.

ANTI-CORRUPTION POLICY

KMBA strictly enforces a no-gift policy so as not to compromise the integrity of its operations, improperly influence decision-making, avoid conflicts of interest, or any perception thereof as a result of giving and receiving gifts. This policy is upheld in all dealings with any member of the private or public sector. The Association understands that good governance is founded on full respect for the law as well as its own internal rules and regulations.

As such, KMBA deals with its trustees, employees, suppliers, partners, government agencies, and other parties at arm's length and with full transparency, in observance of established policies and in recognition of either party's integrity. All stakeholders, including employees and client-beneficiaries, are free to communicate their concerns or complaints about illegal and/or unethical practices to KMBA's Board of Trustees and/or the KSO Ulat Hotline which is housed in the Internal Audit Services unit to ensure all concerns/complaints received are handled in an unbiased and independent manner.

Violators will be dealt with severely, after an investigation, and always in accordance with established mechanisms on due process.

PROTECTING THE WHISTLE-BLOWER

All stakeholders are encouraged to voice their concerns or complaints about illegal and/or unethical practices involving any KMBA member, employee, or officer. KMBA maintains a policy to protect the identity of the whistle-blower, maintain the confidentiality of the disclosure, validate the claims and reports, and prevent any form of retaliation by the complained parties.

Reports of violations and complaints shall be validated in order to avoid malicious, unfounded reports, designed to vex or harass a person, mislead, disrupt KMBA operations, or for personal gain. Such malicious reports shall not be allowed to harm KMBA or any of its members, officers, or employees, and shall be dealt with appropriately.

HANDLING OF COMPLAINTS

Complaints are received by the Ethics Committee, which then conducts an initial investigation and/or inquiry for non-compliance with or violation of the Code of Ethics and Conduct, and other illegal or corrupt practices. The Committee then submits its investigation report and recommendations to the Board, for appropriate action.

For complaints against KMBA employees related to its value chain, the President of the Association has been authorized to receive complaints. Submission of complaints may be in confidence or anonymous. Below is the KMBA President's contact information:

President: Marlin C. Perez
Landline: 8990-7915 / 7799-5514
Mobile No.: 0932 3024 023
Email Address: kasaganaka.mba@gmail.com

B. ENVIRONMENT- FRIENDLY VALUE CHAIN

The Association strives to perform regular assessments of its policies, procedures, processes and systems involving not only its officers, members, and employees, but also its suppliers, partners, and contractors, to ensure that these are environment-friendly and promote environmental sustainability.

KMBA declares that its business operations do not negatively affect the environment, and that it commits to do its part in promoting environmentally-sound business practices.

Simple, but impactful sustainable practices have been adopted by KMBA for years. This includes judicious energy consumption, car-pooling, and recycling of office supplies and materials. The use of electronic means of reporting to the Board, the membership, and all stakeholders have been tapped by KMBA for years to reduce paper consumption.

C. PROGRAMS FOR MEMBERS' WELFARE

Aside from looking after members' health, programs for members' welfare have been discussed in the previous sections of this Annual Report. These include educational assistance under the Kuya Jun Scholarship Program; aid for members affected by calamities; and capacity-building and leadership programs for officers and coordinators.

The Association provides avenues for members to participate in policy determination and decision-making through their KMBA Coordinators' periodic meeting. KMBA reports to the general membership through Roadshows and the annual general meeting.

Since policies, manuals, minutes of meetings, and other pertinent reports are available online, members and any concerned party may contact the Board or the management for any and all concerns affecting not only them personally, but the Association in general.

MEMBERS AND EMPLOYEES HEALTH AND SAFETY

The health and safety of members and employees alike were the primary considerations that led to KMBA's shift to online claims processing.

Throughout the pandemic, KMBA, together with the KSO, were in constant communication with employees and members, as a form of support group, information dissemination mechanism, and service delivery approach.

Part of KMBA's health benefits for employees is the annual physical examination (APE) and affordable flu vaccines. Last year, eleven (11) employees took the APE, and availed of the flu vaccine. In addition, all employees are covered by company-initiated health insurance through Medicaid. In partnership with KDCI, members have access to laboratory and eye care services provided by PhilCare.

EMPLOYEE MANAGEMENT

The very able management team of KMBA is led by its General Manager, who provides general directions, supervision, management, and administrative control on all the operating units, subject to such limitations as may be set forth by the Board of Trustees or the General Assembly. The General Manager handles the day-to-day operations of KMBA, the Finance Manager, Executive Assistant, Accounting Officer, and other officers handling Claims, Underwriting, Marketing, and MIS.

By the end of 2022, KMBA has 1 manager and 10 employees. Of them, 4 are female while 7 are male.

| EMPLOYEE | POSITION | RANK | GENDER |
|--------------------------|---------------------|------|--------|
| Silvida R. Antiquera | General Manager | 34 | Female |
| Evelyn A. Lagmay | Finance Manager | 18 | Female |
| Analyn A. Shih | Executive Assistant | 15 | Female |
| Maria Victoria L. Mapola | Accounting Officer | 8 | Female |
| Diobert F. Calanza | Marketing | 15 | Male |
| Adrian P. San Andres | Claims | 15 | Male |
| Mcquen R. Abellano | Underwriting | 14 | Male |
| Richard L. Monteron | Underwriting | 14 | Male |
| Jake C. Villanueva | Claims | 13 | Male |
| Kaiser N. Velilia | MIS Officer | 14 | Male |
| Jomari I. Taton | MIS Officer | 14 | Male |

The basic salary is reviewed periodically by the Human Resources Committee to ensure that it is at par with market rates. Aside from the statutory benefits, employees are entitled to the following benefits: Communication and Rice Allowance.

TRAINING AND DEVELOPMENT FOR EMPLOYEES

The Board, with the assistance of the Management Team, adopts an annual training and development plan for its employees. Apart from the Plan, the employees may submit a written request to undertake specific courses or training sessions, which are aligned with the KMBA's capacity development requirements.

Last year, employees gained new and additional insights from the following training activities:

| DATE | TRAINING COURSE/SEMINAR |
|---------------|---|
| January 25-26 | National Microinsurance Forum: Facing uncertainty through Strategic Innovations Attendee/s: <i>Silvida R. Antiquera, Evelyn A. Lagmay, Analyn A. Shih, Diobert F. Calanza, Adrian P. San Andres, Mcquen R. Abellano, Aljon L. Laureano, Gilbert T. Razonable</i> |
| March 11 | AOA Webinar: Towards a better future by addressing Social Challenges; Moving Towards the attainment of Sustainable Development Goal Attendee/s: <i>Silvida R. Antiquera</i> |
| March 14 | MILESTONE: MBA Coordinators; Kaagapay sa mabilis at maayos na serbisyo Attendee/s: <i>Richard Monteron, Jake Villanueva, Diobert Calanza, Mcquen Abellano</i> |
| March 31 | Protecting Non-Profit Organizations from Money laundering and Terrorist Financing Abuse Attendee/s: <i>Analyn A. Shih</i> |
| April 11 | Disaster Resiliency and Risk Financing: The Role of Microfinance and Microinsurance Attendee/s: <i>Silvida R. Antiquera</i> |
| April 13 | Annual Statement Workshop Attendee/s: <i>Evelyn A. Lagmay, Gilbert T. Razonable</i> |
| April 26 | Tax Rights and Remedies Attendee/s: <i>Evelyn A. Lagmay, Analyn A. Shih, Gilbert T. Razonable</i> |
| June 20 | ACGR Workshop Attendee/s: <i>Analyn Shih</i> |
| June 29 | AOA/ICMIF Mutual Microinsurance Webinar: Achievements and Lessons of ICMIF 5-5-5 Strategy Attendee/s: <i>Silvida Antiquera</i> |

| DATE | TRAINING COURSE/SEMINAR |
|---------------------------|---|
| July 13 | Understanding Targeted Financial Sanctions Attendee/s: <i>Silvida R. Antiquera</i> |
| July 27-29 | Leadership Training Workshop: Soft Skills for Servant Leadership Attendee/s: <i>Silvida R. Antiquera</i> |
| August 24-26 | Management Forum: Improving Regulatory Compliance and Operating Systems Attendee/s: <i>Silvida R. Antiquera, Evelyn A. Lagmay, Analyn A. Shih, Diobert F. Calanza, Adrian P. San Andres, Jake C. Villanueva, Richard L. Monteron</i> |
| September 20, 22, 27 & 29 | Learning Sessions to Kickstart your IFRS 17 Journey Attendee/s: <i>Silvida R. Antiquera, Evelyn A. Lagmay, Analyn A. Shih, Kaiser D. Velilia</i> |
| September 23 | Data Privacy Compliance Seminar Attendee/s: <i>Silvida R. Antiquera, Analyn A. Shih, Kaiser D. Velilia</i> |
| October 12-14 | Governance and AMLA Workshop Attendee/s: <i>Evelyn Lagmay</i> |
| October 20 | Insurance Webinar: Climate Change Attendee/s: <i>Analyn Shih</i> |
| October 25-28 | ICMIF Centenary Conference, ROME Italy Attendee/s: <i>Silvida Antiquera</i> |
| December 9 | Round table Discussion on Investment Attendee/s: <i>Silvida Antiquera, Evelyn Lagmay</i> |

REWARDS POLICY

Employees' performance is assessed twice a year. Ten (10%) of the income for the whole year is allotted for Performance-based incentives based on the results of the evaluation and upon approval by the Board. **CHECK MINUTES FOR ACTUAL**

CREDITORS' RIGHTS

Members, who are among the Association's creditors, have the right to inspect association books and records, including minutes of Board meetings and performance reports, and shall be furnished with annual reports and financial statements, without costs or restrictions. KMBA believes that creditors' interests are well-served if they are constantly in-the-know of the financial condition of the Association and the policies that may impact on its performance and operations.

Also, KMBA works with the Risk Management Committee to identify credit risk, both probable and existing, so that proper measures may be undertaken to reduce, if not eliminate, such risks. Reports by the Audit Committee and the independent external audit are also reviewed with the view to protecting the assets of the Association, and therefore its ability to honor its obligations with its creditors.

Like the previous year, KMBA makes sure that information about the organization is readily available at the Association's website and at the same time actively participates in the Quarterly Center Chiefs Conference and in the employees and Center Chief roadshows. This is held virtually for the year 2022. This is part of the annual calendar of all the Kasagana-ka Synergizing Organizations to report on the accomplishments and plans of each organization. Members are also given time to share their membership stories and thoughts on the matters reported to them.

D. GOVERNANCE MANUAL AND CODE OF ETHICS

A periodic review of the relevance of the Governance Manual and compliance thereto is being undertaken to ensure faithfulness to industry-standard corporate governance principles. The General Manager, as the Board-designated Compliance Officer, leads the monitoring and evaluation process to track the compliance of Trustees, management team, and employees with the KMBA Corporate Governance Manual. For this purpose, the General Manager taps other members of the management team to facilitate the effective and efficient performance of said tasks.

Aligned with the values of good corporate governance is the Association's Code of Conduct and Ethics. Included in the Code are standards of conduct and basic principles for ensuring the proper discharge of one's duties and responsibilities, such as not using one's position to make a profit or to acquire benefit or advantage; avoiding situations that compromise one's impartiality; maintaining professional integrity; and enhancing skills and understanding of the Association's operations and related activities. The Code must be observed and complied with by all trustees, officers, and employees in dealing with members and other stakeholders within and outside KMBA.

Copies of both the Governance Manual and the Code of Conduct and Ethics are readily available at the KMBA website. This is in keeping with the principle of transparency. It likewise allows any interested or aggrieved party to determine any violation thereof by KMBA officers and employees. KMBA encourages any party who may have knowledge of such violations to report them in good faith to management or to the Board. The Association treats with importance such reports, with the goal of properly addressing them, imposing sanctions where necessary, and avoiding their ill effects on corporate affairs and business operations.

QUARTERLY EVALUATION AND PLANNING

It has been the policy of the KMBA to meet a month after each quarter to consider its accomplishments vis-a-vis its targets. Adjustments in plans and implementation strategies are discussed, all with the objective of serving as many members as possible, while maintaining the financial strength of the Association.

BOARD POLICY REVIEW

The annual review of the Association's vision and mission statements and its corporate goals (VMGs) is done at the start of the year to check whether these statements are reflective of the objectives and current needs of the membership. The Association firmly believes that the annual review of its vision, mission, and corporate goals is beneficial to ensure that its operational plans and targets are in harmony with its avowed vision and mission.

In the January 2022 Board meeting, the Board affirmed that the current vision, mission, and corporate goals remain true, ethical, and reflective of KMBA's purposes, goals, and plans. Likewise, KMBA's products, programs, and services are in alignment with these VMGs.

COMMITMENT TO GOOD GOVERNANCE

KMBA is pleased to declare that it adheres to the Code of Corporate Governance and its very own Corporate Governance Manual. This is closely monitored by the General Manager who is responsible for ensuring compliance, being the Association's Compliance Officer.

In this annual report, KMBA respects the rule of law and commits to advocate and maintain the principles of transparency and accountability where appropriate in decision-making and management, ethical and responsible operations, establishing control mechanisms, encouraging stakeholder participation, the equitable treatment of stakeholders, and overall uphold integrity in all its operations as it strives to stand firm in the midst of adversity brought by the pandemic. These efforts are present not only at the highest policy-making body but at all levels and in every transaction with every stakeholder.

Further, the Association recognizes that conscious adherence to good governance leads to a deeper recognition and appreciation of its central role in keeping the Association strong and viable for many more years to come.



2022 AUDITED FINANCIAL STATEMENTS

Your BIR AFS eSubmission uploads were received

1 message

eafs@bir.gov.ph <eafs@bir.gov.ph>
To: KASAGANAKA.MBA@gmail.com
Cc: EVELYN.ABAN27@gmail.com

Tue, May 2, 2023 at 12:00 AM

Hi KASAGANA-KA MUTUAL BENEFIT ASSOCIATION INC,

Valid files

- EAFS246220351TCRTY122022-01.pdf
- EAFS246220351ITRTY122022.pdf
- EAFS246220351TCRTY122022-02.pdf
- EAFS246220351TCRTY122022-03.pdf
- EAFS246220351AFSTY122022.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-85B7JBF02XSZV3STN44QWRM40CBF77KAD**
Submission Date/Time: **May 02, 2023 12:00 AM**
Company TIN: **246-220-351**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.

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Fwd: Tax Return Receipt Confirmation

1 message

KASAGANA-KA MBA <kasaganaka.mba@gmail.com>

Sat, Apr 29, 2023 at 12:25 AM

To: Evelyn Aban <evelyn.aban27@gmail.com>, KMBA Accounting <kasaganafinance@gmail.com>

Analyn A. ShihKasagana-Ka Mutual Benefit Ass'n. Inc.
799-5518

----- Forwarded message -----

From: <ebirforms-noreply@bir.gov.ph>

Date: Fri, Apr 28, 2023 at 2:27 PM

Subject: Tax Return Receipt Confirmation

To: <kasaganaka.mba@gmail.com>

This confirms receipt of your submission with the following details subject to validation by BIR:

File name: 246220351000-1702MXv2018-1222.xml

Date received by BIR: 17 April 2023

Time received by BIR: 02:01 PM

Penalties may be imposed for any violation of the provisions of the NIRC and issuances thereof.

FOR RETURNS WITH TAX PAYABLE:**Please pay through any of the following ePayment Channels:****Land Bank of the Philippines Link.BizPortal**

- LBP ATM Cards
- Bancnet ATM/Debit Cards
- PCHC PayGate or PESONeT (RCBC, Robinsons Bank, UnionBank, PSBank, BPI, Asia United Bank)

DBP PayTax Online

- Credit Cards (MasterCard/Visa)
- Bancnet ATM/Debit Cards

Unionbank of the Philippines

- Unionbank Online (for Unionbank Individual and Corporate Account Holders)
- UPAY via InstaPay (For Individual Non-Unionbank Account Holders)

Taxpayer Agent/ Tax Software Provider-TSP

- (Gcash/PayMaya/MyEG)

This is a system-generated email. Please do not reply.**Bureau of Internal Revenue**=====
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Republic of the Philippines
Department of Finance
Bureau of Internal Revenue

For BIR BCS/
Use Only Item:

| | | |
|---|--|--|
| BIR Form No. 1702-MX January 2018 (ENCS) Page 1 | Annual Income Tax Return Corporation, Partnership and Other Non-Individual with MIXED Income Subject to Multiple Income Tax Rates or with Income Subject to SPECIAL/PREFERENTIAL RATE <small>Enter all required information in CAPITAL LETTERS using BLACK ink. Mark applicable boxes with an "X".</small> <small>Two copies MUST be filed with the BIR and one held by the taxpayer.</small> | 1702-MX 01/18ENCS P1 |
| 1 For <input checked="" type="radio"/> Calendar <input type="radio"/> Fiscal 2 Year Ended (MM/20YY) <input type="text" value="12"/> / <input type="text" value="20"/> | 3 Amended Return? <input type="radio"/> Yes <input checked="" type="radio"/> No | 4 Short Period Return? <input type="radio"/> Yes <input checked="" type="radio"/> No |
| 5 Alphanumeric Tax Code (ATC) <input checked="" type="radio"/> IC 055 – Minimum Corporate Income Tax (MCIT) <input type="radio"/> IC 010 - In General | | |

Part I - Background Information

6 Taxpayer Identification Number (TIN) **7** RDO Code

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

9 Registered Address (Indicate complete address. If the registered address is different from the current address, go to the RDO to update registered address by using BIR Form No. 1905)
 5 MATIMPIIN STREET PINYAHAN QUEZON CITY

10 Date of Incorporation/Organization (MM/DD/YYYY) **11** Contact Number

12 Email Address

13 Method of Deductions Itemized Deductions [Section 34 (A-J), NIRC] Optional Standard Deduction (OSD)-40% of Gross Income [Section 34(L) NIRC, as amended]

Part II - Total Tax Payable

(Do NOT enter Centavos; 49 Centavos or Less drop down; 50 or more round up)

| | |
|--|---------------------------------------|
| 14 Total Tax Due/(Overpayment) (From Part IV-Schedule 2 Item 19D) | <input type="text" value="76,358"/> |
| 15 Less: Total Tax Credits/Payments (From Part IV-Schedule 3 Item 32D) | <input type="text" value="172,909"/> |
| 16 Net Tax Payable / (Overpayment) (Item 14 Less Item 15) (From Part IV Item 33D) | <input type="text" value="(96,551)"/> |
| Add: Penalties | |
| 17 Surcharge | <input type="text" value="0"/> |
| 18 Interest | <input type="text" value="0"/> |
| 19 Compromise | <input type="text" value="0"/> |
| 20 Total Penalties (Sum of Items 17 to 19) | <input type="text" value="0"/> |
| 21 TOTAL AMOUNT PAYABLE / (Overpayment) (Sum of Items 16 to 20) | <input type="text" value="(96,551)"/> |

If overpayment, mark one (1) box only. (Once the choice is made, the same is irrevocable)

- To be refunded To be issued a Tax Credit Certificate (TCC) To be carried over as a tax credit for next year/quarter

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

| | | |
|--|--|--|
| PEREZ, MARILYN CANAVERALL | CASTRO, EMELDA ANTONIO | 22 Number of Attachments <input type="text" value=""/> |
| Signature over Printed Name of President/Principal Officer/Authorized Representative | Signature over Printed Name of Treasurer/ Assisant Treasurer | |
| Title of Signatory <input type="text"/> TIN <input type="text"/> | Title of Signatory <input type="text"/> TIN <input type="text"/> | |

Part III - Details of Payment

| Particulars | Drawee Bank/Agency | Number | Date (MM/DD/YYYY) | Amount |
|----------------------------------|----------------------|----------------------|----------------------|--------------------------------|
| 23 Cash/Bank Debit Memo | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text" value="0"/> |
| 24 Check | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text" value="0"/> |
| 25 Tax Debit Memo | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text" value="0"/> |
| 26 Others (Specify Below) | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text" value="0"/> |

Machine Validation / Revenue Official Receipt Details (if not filed with an Authorized Agent Bank) Stamp of Receiving Office/AAB and Date of Receipt (RO's Signature/Bank Teller's Initial)

| | | |
|---|---|----------------------|
| BIR Form No. 1702-MX January 2018 (ENCS) Page 2 | Annual Income Tax Return Corporation, Partnership and Other Non-Individual with MIXED Income Subject to Multiple Income Tax Rates or with Income Subject to SPECIAL/PREFERENTIAL RATE | 1702-MX 01/18ENCS P2 |
|---|---|----------------------|

| | |
|---|--|
| Taxpayer Identification Number (TIN) 246 220 351 0000 | Registered Name KASAGANA-KA MUTUAL BENEFIT ASSOCIATION INC |
|---|--|

Part IV - Schedules

Instructions: (mark appropriate box)

A. Only one activity/project under EXEMPT and/or SPECIAL Tax Regimes, fill-out the applicable columns below.

B. Two or more activities/projects under EXEMPT and/or SPECIAL Tax Regimes, accomplish Part V-Mandatory Attachments per activity and reflect consolidated amounts from Part V on the corresponding columns below.

Schedule 1 - Basis of Tax Relief

| Particulars | A. Exempt | B. Special | C. Special Tax Relief (Under Regular/Normal Rate) |
|---|-----------------|------------|---|
| 1 Investment Promotion Agency (IPA)/ Implementing Government Agency | JRC | | |
| 2 Legal Basis | NIRC SEC 30 (C) | | |
| 3 Registered Activity/Program (Reg. No.) | 9199 | | |
| 4 Special Tax Rate | | 0.0 % | |
| 5 Effectivity Date of Tax Relief/Exemption From (MM/DD/YYYY) | 01/01/2022 | | |
| 6 Expiration Date of Tax Relief/Exemption To (MM/DD/YYYY) | 12/31/2022 | | |

Schedule 2 – Computation of Income Tax per Tax Regime (DO NOT enter Centavos; 49 Centavos or Less drop down; 50 or more round up)

| Description | A. Total Exempt | B. Total Special | C. Total Regular | D. Total All Columns |
|---|-----------------|------------------|------------------|----------------------|
| 1 Sales/Receipts/Revenues/Fees <i>(From all of Part V-Sched B Item 1, if letter B of instructions above is marked)</i> | 48,484,315 | 0 | 2,441,477 | 50,925,792 |
| 2 Less: Sales Returns, Allowances and Discounts <i>(From all of Part V-Sched B Item 2, if letter B of instructions above is marked)</i> | 0 | 0 | 0 | 0 |
| 3 Net Sales/Receipts/Revenues/Fees <i>(Item 1 Less Item 2)</i> | 48,484,315 | 0 | 2,441,477 | 50,925,792 |
| 4 Less: Cost of Sales/Services <i>(From all of Part V-Sched B Item 4, if letter B of instructions above is marked)</i> | 38,230,913 | 0 | 2,107,817 | 40,338,730 |
| 5 Gross Income from Operation <i>(Item 3 Less Item 4)</i> | 10,253,402 | 0 | 333,660 | 10,587,062 |
| 6 Add: Other Taxable Income not subjected to Final Tax <i>(From all of Part V-Sched B Item 6, if letter B of instructions above is marked)</i> | 0 | 0 | 589,152 | 589,152 |
| 7 Total Taxable Income <i>(Sum of Items 5 and 6)</i> | 10,253,402 | 0 | 922,812 | 11,176,214 |
| Less: Deductions Allowable under Existing Law | | | | |
| 8 Ordinary Allowable Itemized Deductions <i>(From Sched 5 Item 18) &/or (From all of Part V-Sched B Item 8, if letter B of instructions above is marked)</i> | 10,201,530 | 0 | 617,382 | 10,818,912 |
| 9 Special Allowable Itemized Deductions <i>(From Sched 6 Item 5) &/or(From all of Part V-Sched B Item 9, if letter B of instructions above is marked)</i> | 0 | 0 | 0 | 0 |
| 10 NOLCO [Only for those taxable under Sec. 27 (A to C)]; Section 28(A)(1)(A)(6)(b) of the Tax Code, as amended] <i>(For Special Rate: If w/ only 1 activity, From Schedule 8.1 Item 8 ; if with 2 or more activities, From all of Part V-Sched B Item 10; For Reg. Rate: From Sched 7.1 Item 8)</i> | | 0 | 0 | 0 |
| 11 Total Itemized Deductions <i>(Sum of Items 8 to 10)</i> | 10,201,530 | 0 | 617,382 | 10,818,912 |
| OR [in case taxable under Sec 27(A) & 28(A)(1)] | | | | |
| 12 Optional Standard Deduction (OSD) <i>(40% of Item 7)</i> | | | 0 | 0 |
| 13 Net Taxable Income/(Loss) <i>(If Itemized: Item 7 Less Item 11; If OSD: Item 7 Less Item 12)</i> | 51,872 | 0 | 305,430 | 357,302 |
| 14 Applicable Income Tax Rate <i>(i.e. Special or Regular/Normal Rate)</i> | 0% | 0.00 % | 25.00 % | |
| 15 Income Tax Due other than MCIT <i>[For Special Rate: If with only 1 activity, (Item 3 OR Item 7) X Item 14; if with 2 or more activities, from all of Part V-Sched B Item 14; For Regular Rate Item 13 X Item 14]</i> | 0 | 0 | 76,358 | 76,358 |
| 16 Less: Share of Other Government Agency, if remitted directly | | 0 | 0 | 0 |
| 17 Net Income Tax Due to National Government <i>(Item 15 Less Item 16)</i> | | 0 | 76,358 | 76,358 |
| 18 MCIT <i>(2% of Gross Income in Item 7)</i> | | | 18,456 | 18,456 |
| 19 Total Income Tax Due / (Overpayment) <i>(Item 19B = Item 17B) (Item 19C = Normal Income Tax in Item 15C OR MCIT in Item 18C, whichever is higher) (Item 18D = Sum of Items 19B and 19C) (Item 19D to Part II Item 14)</i> | | 0 | 76,358 | 76,358 |

Schedule 3 - Tax Credits/Payments (attach proof)

| | | | | |
|---|---|---|----------|----------|
| 20 Prior Year's Excess Credits Other Than MCIT | 0 | 0 | 56,648 | 56,648 |
| 21 Income Tax Payments under MCIT from Previous Quarter/s | | | 0 | 0 |
| 22 Income Tax Payments under Regular Rate from Previous Quarter/s | | | 15,203 | 15,203 |
| 23 Excess MCIT Applied this Current Taxable Year <i>(From Schedule 9 Item 4)</i> | | | 0 | 0 |
| 24 Creditable Tax Withheld from Previous Quarter/s per BIR Form No. 2307 | | | 74,961 | 74,961 |
| 25 Creditable Tax Withheld per BIR Form No. 2307 for the 4th Qtr | | | 26,097 | 26,097 |
| 26 Foreign Tax Credits, if applicable | | | 0 | 0 |
| 27 Tax Paid in Return Previously Filed, if this is an Amended Return | | | 0 | 0 |
| 28 Income Tax Payments under Special Rate from Previous Qtr/s | | | 0 | 0 |
| 29 Special Tax Credits <i>(To Part IV-Schedule 4 Item 6)</i> | | | 0 | 0 |
| Other Tax Credits/Payments (specify) | | | | |
| 30 | | | 0 | 0 |
| 31 <i>(Add more...)</i> | | | 0 | 0 |
| 32 Total Tax Credits/Payments <i>(Sum of Items 20 to 31) (Item 32D to Part II Item 15)</i> | | | 172,909 | 172,909 |
| 33 Net Tax Payable / (Overpayment) <i>(Item 19 Less Item 32) (Item 33D to Part II Item 16)</i> | 0 | 0 | (96,551) | (96,551) |

| | | |
|---|---|----------------------|
| BIR Form No. 1702-MX January 2018 (ENCS) Page 3 | Annual Income Tax Return Corporation, Partnership and Other Non-Individual with MIXED Income Subject to Multiple Income Tax Rates or with Income Subject to SPECIAL/PREFERENTIAL RATE | 1702-MX 01/18ENCS P3 |
|---|---|----------------------|

| | |
|---|--|
| Taxpayer Identification Number (TIN) 246 220 351 0000 | Registered Name KASAGANA-KA MUTUAL BENEFIT ASSOCIATION INC |
|---|--|

| Schedule 4 – Tax Relief Availment <small>(DO NOT enter Centavos; 49 Centavos or Less drop down; 50 or more round up)</small> | | | | |
|--|-----------------|------------------|------------------|----------------------|
| Description | A. Total Exempt | B. Total Special | C. Total Regular | D. Total All Columns |
| 1 Regular Income Tax Otherwise Due <small>(Item 13A/B of Part IV-Schedule 2 X applicable regular income tax rate)</small> | 12,968 | 0 | | 12,968 |
| 2 Tax Relief on Special Allowable Itemized Deductions <small>(Item 9A/B/C of Part IV-Sched 2 X applicable regular income tax rate)</small> | 0 | 0 | 0 | 0 |
| 3 Sub-Total – Tax Relief <small>(Sum of Items 1 and 2)</small> | 12,968 | 0 | 0 | 12,968 |
| 4 Less: Income Tax Due <small>(From Part IV-Schedule 2 Item 15B)</small> | 0 | 0 | | 0 |
| 5 Tax Relief Availment before Special Tax Credit <small>(Item 3 Less Item 4)</small> | 12,968 | 0 | 0 | 12,968 |
| 6 Add: Special Tax Credit, if any <small>(From Part IV-Schedule 3 Item 29)</small> | 0 | 0 | 0 | 0 |
| 7 Total Tax Relief Availment <small>(Sum of Items 5 & 6)</small> | 12,968 | 0 | 0 | 12,968 |

| Schedule 5 - Ordinary Allowable Itemized Deductions <small>(attach additional sheet/s, if necessary)</small> | | | | |
|---|-------------------|----------|----------------|-------------------|
| <small>(If with only one activity, fill-out the applicable columns below: if with two or more activities, amount for each expense shall come from all of Part V-Schedule D)</small> | | | | |
| Description | A | B | C | D |
| 1 Amortizations | 162,297 | 0 | 0 | 162,297 |
| 2 Bad Debts | 0 | 0 | 0 | 0 |
| 3 Charitable and Other Contributions | 0 | 0 | 0 | 0 |
| 4 Depletion | 0 | 0 | 0 | 0 |
| 5 Depreciation | 628,696 | 0 | 0 | 628,696 |
| 6 Entertainment, Amusement and Recreation | 13,089 | 0 | 0 | 13,089 |
| 7 Fringe Benefits | 0 | 0 | 0 | 0 |
| 8 Interest | 0 | 0 | 0 | 0 |
| 9 Losses | 0 | 0 | 0 | 0 |
| 10 Pension Trusts | 328,994 | 0 | 0 | 328,994 |
| 11 Rental | 0 | 0 | 0 | 0 |
| 12 Research and Development | 0 | 0 | 0 | 0 |
| 13 Salaries, Wages and Allowances | 6,498,855 | 0 | 0 | 6,498,855 |
| 14 SSS, GSIS, Philhealth, HDMF and Other Contributions | 0 | 0 | 0 | 0 |
| 15 Taxes and Licenses | 157,060 | 0 | 0 | 157,060 |
| 16 Transportation and Travel | 314,239 | 0 | 432 | 314,671 |
| 17 Others (Deductions Subject to Withholding Tax and Other Expenses) <small>(Specify below; Add additional sheet(s), if necessary)</small> | | | | |
| a. Janitorial and Messengerial Services | 0 | 0 | 0 | 0 |
| b. Professional Fees | 361,076 | 0 | 0 | 361,076 |
| c. Security Services | 78,560 | 0 | 431,207 | 509,767 |
| d. MEALS | 20,297 | 0 | 0 | 20,297 |
| e. DUES AND SUBSCRIPTION | 126,197 | 0 | 0 | 126,197 |
| f. UTILITIES | 309,342 | 0 | 0 | 309,342 |
| g. MISCELLANEOUS | 5,960 | 0 | 200 | 6,160 |
| h. MEDICINE | 29,267 | 0 | 0 | 29,267 |
| i. OTHERS <small>(Add more...)</small> | 1,167,601 | 0 | 185,543 | 1,353,144 |
| 18 Total Ordinary Allowable Itemized Deductions <small>(Sum of Items 1 to 17) (To Part IV-Schedule 2 Item 8)</small> | 10,201,530 | 0 | 617,382 | 10,818,912 |

| Schedule 6 – Special Allowable Itemized Deductions <small>(attach additional sheet/s, if necessary)</small> | | | | | |
|---|-------------|-----------------|------------------|------------------|----------------------|
| <small>(If with only one activity, fill-out the applicable columns below: if with two or more activities, amount for each expense shall come from all of Part V-Schedule E)</small> | | | | | |
| Description | Legal Basis | A. Total Exempt | B. Total Special | C. Total Regular | D. Total All Columns |
| 1 | | 0 | 0 | 0 | 0 |
| 2 | | 0 | 0 | 0 | 0 |
| 3 | | 0 | 0 | 0 | 0 |
| 4 | | 0 | 0 | 0 | 0 |
| <small>(Add more...)</small> | | | | | |
| 5 Total Special Allowable Itemized Deductions <small>(Sum of Items 1 to 4) (To Part IV-Schedule 2 Item 9)</small> | | 0 | 0 | 0 | 0 |

| Schedule 7 - Computation of Net Operating Loss Carry Over (NOLCO) for Regular Rate <small>(Attach Additional Sheet/s, if necessary)</small> | |
|---|----------|
| 1 Gross Income <small>(From Part IV-Schedule 2 Item 7C)</small> | 0 |
| 2 Less: Total Deductions Exclusive of NOLCO & Deduction Under Special Law <small>(From Part IV-Schedule 2 Item 8C)</small> | 0 |
| 3 Net Operating Loss <small>(Item 1 Less Item 2) (To Part IV-Schedule 7.1, Item 7A)</small> | 0 |

| | | |
|---|---|----------------------|
| BIR Form No. 1702-MX January 2018 (ENCS) Page 4 | Annual Income Tax Return Corporation, Partnership and Other Non-Individual with MIXED Income Subject to Multiple Income Tax Rates or with Income Subject to SPECIAL/PREFERENTIAL RATE | 1702-MX 01/18ENCS P4 |
|---|---|----------------------|

| | |
|--|--|
| Taxpayer Identification Number (TIN) 246 220 351 00000 | Registered Name KASAGANA-KA MUTUAL BENEFIT ASSOCIATION INC |
|--|--|

Schedule 7.1 - Computation of Available Net Operating Loss Carry Over (NOLCO) for Regular Rate
(DO NOT enter Centavos; 49 Centavos or Less drop down; 50 or more round up)

| | Net Operating Loss Year Incurred | A. Amount | B. NOLCO Applied Previous Year/s | C. NOLCO Expired | D. NOLCO Applied Current Year | E. Net Operating Loss (Unapplied) [(E)=A-(B+C+D)] |
|---|--|-----------|----------------------------------|------------------|-------------------------------|---|
| 4 | | 0 | 0 | 0 | 0 | 0 |
| 5 | | 0 | 0 | 0 | 0 | 0 |
| 6 | | 0 | 0 | 0 | 0 | 0 |
| 7 | | 0 | 0 | 0 | 0 | 0 |
| 8 | Total NOLCO (Sum of Items 4D to 7D) (To Part IV-Schedule 2 Item 10C) | | | | | 0 |

Schedule 8 - Computation of Net Operating Loss Carry Over (NOLCO) for Special Rate (except those availing fiscal incentives)
(Attach Additional Sheet/s, if necessary)

| | |
|--|---|
| 1 Gross Income (From Part IV-Schedule 2 Item 7B) | 0 |
| 2 Less: Ordinary Allowable Itemized Deductions (From Part IV-Schedule 2 Item 8B) | 0 |
| 3 Net Operating Loss (Item 1 Less Item 2) (To Part IV-Schedule 8.1 Item 7A) | 0 |

Schedule 8.1 - Computation of Available Net Operating Loss Carry Over (NOLCO) for Special Rate
(DO NOT enter Centavos; 49 Centavos or Less drop down; 50 or more round up)

| | Net Operating Loss Year Incurred | A. Amount | B. NOLCO Applied Previous Year/s | C. NOLCO Expired | D. NOLCO Applied Current Year | E. Net Operating Loss (Unapplied) [(E)=A-(B+C+D)] |
|---|--|-----------|----------------------------------|------------------|-------------------------------|---|
| 4 | | 0 | 0 | 0 | 0 | 0 |
| 5 | | 0 | 0 | 0 | 0 | 0 |
| 6 | | 0 | 0 | 0 | 0 | 0 |
| 7 | | 0 | 0 | 0 | 0 | 0 |
| 8 | Total NOLCO (Sum of Items 4D to 7D) (To Part IV-Schedule 2 Item 10B) | | | | | 0 |

Schedule 9 - Computation of Minimum Corporate Income Tax (MCIT)

| Year | A) Normal Income Tax as Adjusted | B) MCIT | C) Excess MCIT over Normal Income Tax |
|------|----------------------------------|---------|---------------------------------------|
| 1 | 0 | 0 | 0 |
| 2 | 0 | 0 | 0 |
| 3 | 0 | 0 | 0 |

Continuation of Schedule 9 (Item numbers continue from table above)

| Year | D) Excess MCIT Applied/Used for Previous Years | E) Expired Portion of Excess MCIT | F) Excess MCIT Applied this Current Taxable Year | G) Balance of Excess MCIT Allowable as Tax Credit for Succeeding Year/s [G = C Less (D + E + F)] |
|------|--|-----------------------------------|--|--|
| 1 | 0 | 0 | 0 | 0 |
| 2 | 0 | 0 | 0 | 0 |
| 3 | 0 | 0 | 0 | 0 |

4 Total Excess MCIT Applied (Sum of Items 1F to 3F) (To Part IV-Schedule 3 Item 23) 0

Schedule 10 - Reconciliation of Net Income per Books Against Taxable Income (attach additional sheet/s, if necessary)

| Particulars | A. Total Exempt | B. Total Special | C. Total Regular | D. Total All Columns |
|---|-----------------|------------------|------------------|----------------------|
| 1 Net Income/(Loss) per Books | 51,872 | 0 | 4,919,418 | 4,971,290 |
| Add: Non-Deductible Expenses/Taxable Other Income (specify below) | | | | |
| 2 REPRESENTATION & ENTERTAINMENT | 0 | 0 | 51,221 | 51,221 |
| 3 MISCELLANEOUS | 0 | 0 | 7,941 | 7,941 |
| <i>(Add more...)</i> | | | | |
| 4 Total (Sum of Items 1 to 3) | 51,872 | 0 | 4,978,580 | 5,030,452 |
| Less: A) Non-Taxable Income and Income Subjected to Final Tax (specify below) | | | | |
| 5 FINANCE INCOME | 0 | 0 | 3,861,016 | 3,861,016 |
| 6 DIVIDEND INCOME | 0 | 0 | 812,134 | 812,134 |
| <i>(Add more...)</i> | | | | |
| B) Special Deductions (specify below) | | | | |
| 7 | 0 | 0 | 0 | 0 |
| 8 | 0 | 0 | 0 | 0 |
| <i>(Add more...)</i> | | | | |
| 9 Total (Sum of Items 5 to 8) | 0 | 0 | 4,673,150 | 4,673,150 |
| 10 Net Taxable Income/(Loss) (Item 4 Less Item 9) | 51,872 | 0 | 305,430 | 357,302 |

INDEPENDENT AUDITOR'S REPORT TO ACCOMPANY INCOME TAX RETURN

The Members and the Board of Trustees
Kasagana-Ka Mutual Benefit Association, Inc.
(A Non-stock, Not-for-profit Corporation)
#5 Matimpiin Street, Brgy. Pinyahan
Quezon City

We have audited the financial statements of **Kasagana-Ka Mutual Benefit Association, Inc.** *(A Non-stock, Not-for-profit Corporation)* ("the Association"), for the year ended December 31, 2022, on which we have rendered the attached report dated April 14, 2023.

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

ROXAS CRUZ TAGLE AND CO.*Clark Joseph Babor***Clark Joseph C. Babor**

Partner

CPA Certificate No. 0119212

Tax Identification No. 248-709-974-000

BIR Accreditation No. 08-001682-019-2022, issued on October 14, 2022,
effective until October 13, 2025SEC Accreditation No. 119212-SEC, Group B, issued on March 21, 2023
effective until March 21, 2026IC Accreditation No. 119212-IC, issued on December 17, 2021,
effective until December 16, 2025

PTR No. 9565749, issued on January 3, 2023, Makati City

April 14, 2023

Makati City





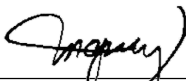
KASAGANA-KA
Mutual Benefit Association, Inc.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

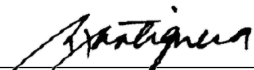
The Management of **Kasagana-Ka Mutual Benefit Association Inc** is responsible for all information and representations contained in the Annual Income Tax Return for the period ended December 31, 2022. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the period ended December 31, 2022 and the accompanying Annual Income Tax Return are in accordance with the books and records of the Association, complete and correct in all material respects. Management likewise affirms that:

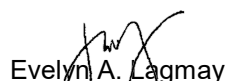
- a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the Association's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances; and
- c) the Association has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.



Marlin C. Perez
President



Silvida R. Antquera
General Manager



Evelyn A. Lagmay
Finance Manager

Signed this 14th day of April, 2023

INDEPENDENT AUDITOR'S REPORT

The Members and the Board of Trustees
Kasagana-Ka Mutual Benefit Association, Inc.
(A Non-stock, Not-for-profit Corporation)
#5 Matimpiin Street, Brgy. Pinyahan
Quezon City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Kasagana-Ka Mutual Benefit Association, Inc.** (A Non-stock, Not-for-profit Corporation) (the "Association"), which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of comprehensive income, statements of changes in fund balance and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

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

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

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

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



Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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



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

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information as disclosed in Note 26 to the financial statements is presented for purposes of filing with the BIR and is not a required part of the basic financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ROXAS CRUZ TAGLE AND CO.

Clark Joseph Babor
Clark Joseph C. Babor

Partner

CPA Certificate No. 0119212

Tax Identification No. 248-709-974-000

BIR Accreditation No. 08-001682-019-2022, issued on October 14, 2022,
effective until October 13, 2025

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effective until December 16, 2025

PTR No. 9565749, issued on January 3, 2023, Makati City

April 14, 2023
Makati City



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

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

| | Note | 2022 | 2021 |
|--|------|---------------------|---------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 5 | ₱32,887,347 | ₱16,877,122 |
| Receivables | 6 | 7,907,417 | 17,763,631 |
| Short-term investment | 7 | 2,467,941 | — |
| Other current assets | 8 | 421,259 | 685,406 |
| Total Current Assets | | 43,683,964 | 35,326,159 |
| Noncurrent Assets | | | |
| Financial assets at FVOCI | 9 | 41,112,490 | 42,424,834 |
| Investments in debt securities | 10 | 88,458,366 | 84,178,366 |
| Investment properties, net | 11 | 63,103,909 | 63,847,416 |
| Property and equipment, net | 12 | 3,453,615 | 4,026,007 |
| Intangible assets, net | 13 | 670,787 | 833,084 |
| Retirement benefit asset | 19 | 652,741 | — |
| Deferred tax asset | | 31,116 | — |
| Total Noncurrent Assets | | 197,483,024 | 195,309,707 |
| | | ₱241,166,988 | ₱230,635,866 |
| LIABILITIES AND FUND BALANCE | | | |
| Liabilities | | | |
| Current Liabilities | | | |
| Trade and other payables | 14 | ₱6,224,734 | ₱6,123,286 |
| Income tax payable | | — | 871 |
| Liability on individual equity value | 15 | 15,541,756 | 10,352,705 |
| Aggregate reserve for trust liability | 15 | 10,875,922 | 9,440,668 |
| Basic contingent benefit reserve | 15 | 491,092 | 339,378 |
| Optional benefit reserve | 15 | 2,751,992 | 2,163,949 |
| Claims payable on basic benefit-IBNR | 16 | 1,058,069 | 613,670 |
| Claims payable on Opt. benefit- IBNR | 16 | 348,357 | 226,046 |
| Total Current Liabilities | | 37,291,922 | 29,260,573 |
| Noncurrent Liabilities | | | |
| Liability on individual equity value | 15 | 62,117,387 | 57,967,966 |
| Aggregate reserve for trust liability | 15 | 42,986,811 | 38,060,319 |
| Retirement benefit obligation, net | 19 | — | (290,689) |
| Total Noncurrent Liabilities | | 105,104,198 | 95,737,596 |
| Total Liabilities | | 142,396,120 | 124,998,169 |
| Fund balance | | | |
| Restricted balance | 17 | 70,392,682 | 79,173,759 |
| Unrestricted balance | 17 | 25,377,720 | 22,842,174 |
| Accumulated remeasurement gain (loss) on retirement benefit obligation | 19 | 296,472 | (394,574) |
| Unrealized gain on financial assets at FVOCI | | 2,703,994 | 4,016,338 |
| Total fund balance | | 98,770,868 | 105,637,697 |
| | | ₱241,166,988 | ₱230,635,866 |

See Notes to the Financial Statements.



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

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

| | Notes | 2022 | 2021 |
|---|-------|---------------------|--------------|
| Revenue | 20 | ₱51,514,945 | ₱42,721,359 |
| Benefit expenses | 21 | (38,268,840) | (10,803,611) |
| Revenue before operating expense | | 13,246,105 | 31,917,748 |
| Operating expenses | 22 | (12,985,892) | (12,022,118) |
| Income from operations | | 260,213 | 19,895,630 |
| Interest income | 5,10 | 3,861,016 | 3,737,249 |
| Dividend income | 9 | 812,134 | 812,134 |
| Income before tax | | 4,933,363 | 24,445,013 |
| Income tax expense | 23 | (76,357) | (17,882) |
| Net income | | 4,857,006 | 24,427,131 |
| Other comprehensive income | | | |
| <i>Item that will be reclassified to profit or loss:</i> | | | |
| Unrealized gain (loss) on financial assets at FVOCI debt instruments | 9 | (180,344) | 222,720 |
| <i>Item that will not be reclassified to profit or loss:</i> | | | |
| Unrealized gain (loss) on financial assets at FVOCI equity instruments | 9 | (1,132,000) | 5,000 |
| Remeasurement gain on retirement benefit obligation | 19 | 691,046 | 202,983 |
| | | (621,298) | 430,703 |
| Total comprehensive income | | ₱4,235,708 | ₱24,857,834 |

See Notes to the Financial Statements.



KASAGANA-KA MUTUAL BENEFIT ASSOCIATION, INC.

(A Non-stock, Not-for-profit Corporation)

**STATEMENTS OF CHANGES IN FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

| | Fund balance (Note 17) | | Accumulated remeasurement gain (loss) on retirement benefit obligation (Note 19) | Unrealized gain on financial assets at FVOCI (Note 9) | Total |
|--------------------------------|------------------------|--------------------|--|---|--------------------|
| | Restricted | Unrestricted | | | |
| As at December 31, 2021 | ₱79,173,759 | ₱22,842,174 | (₱394,574) | ₱4,016,338 | ₱105,637,697 |
| Decrease in fund balance | (2,379,678) | — | — | — | (2,379,678) |
| Prior year adjustment | (8,726,216) | 3,357 | — | — | (8,722,859) |
| Reclassification | 2,324,817 | (2,324,817) | — | — | — |
| Net income | — | 4,857,006 | — | — | 4,857,006 |
| Other comprehensive income | — | — | 691,046 | (1,312,344) | (621,298) |
| As at December 31, 2022 | ₱70,392,682 | ₱25,377,720 | ₱296,472 | ₱2,703,994 | ₱98,770,868 |
| As at December 31, 2020 | ₱53,486,054 | ₱26,989,093 | (₱597,557) | ₱3,788,618 | ₱83,666,208 |
| Decrease in fund balance | (2,890,993) | — | — | — | (2,890,993) |
| Prior year adjustment | — | 4,648 | — | — | 4,648 |
| Reclassification | 28,578,698 | (28,578,698) | — | — | — |
| Net income | — | 24,427,131 | — | — | 24,427,131 |
| Other comprehensive income | — | — | 202,983 | 227,720 | 430,703 |
| As at December 31, 2021 | ₱79,173,759 | ₱22,842,174 | (₱394,574) | ₱4,016,338 | ₱105,637,697 |

See Notes to the Financial Statements.



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

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

| | <i>Notes</i> | 2022 | 2021 |
|---|--------------|--------------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net income | | ₱4,933,363 | ₱24,427,131 |
| Adjustments for: | | | |
| Interest income | 5,10 | (3,861,016) | (3,737,249) |
| Depreciation of property and equipment | 12,22 | 852,850 | 981,301 |
| Dividend income | 9 | (812,134) | (812,134) |
| Retirement benefit cost | 19,22 | 328,994 | 353,149 |
| Depreciation of investment property | 11,22 | 1,019,714 | 982,539 |
| Amortization | 13,22 | 162,297 | 162,297 |
| Prior year error | | 2,000 | 4,648 |
| Operating income before working capital changes | | 2,626,068 | 22,361,682 |
| Decrease (increase) in: | | | |
| Receivables | | 9,856,214 | (7,406,864) |
| Other current assets | | 172,363 | 149,697 |
| Increase (decrease) in: | | | |
| Trade and other payables | | 101,448 | 2,147,330 |
| Liability on individual equity value | | 4,387,616 | (17,185,621) |
| Aggregate reserve for trust liability | | 2,586,385 | (12,467,950) |
| Basic contingent benefit reserve | | 151,714 | (143,283) |
| Optional benefit reserve | | 588,043 | 547,745 |
| Claims payable on basic contingent benefit-IBNR | | 444,399 | (207,914) |
| Claims payable on Opt Benefit – IBNR | | 122,311 | (98,879) |
| Net cash flows generated from (used for) operations | | 21,036,561 | (12,304,057) |
| Interest income received | 5,10 | 3,861,016 | 3,737,249 |
| Dividend income received | 9 | 812,134 | 812,134 |
| Income tax paid | | (15,202) | — |
| Net cash provided by (used in) operating activities | | 25,694,509 | (7,754,674) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Acquisition of short-term investment | 7 | (2,467,941) | — |
| Acquisition of debt securities | 10 | (4,280,000) | — |
| Acquisition of investment properties | 11 | (261,207) | — |
| Acquisition of property and equipment | 12 | (295,458) | (104,161) |
| Proceeds from sale of Property & Equipment | | — | 15,881 |
| Net cash used in investing activities | | (7,304,606) | (88,280) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Decrease in fund balance | | (2,379,678) | (2,890,993) |
| Contribution to retirement obligation | | — | (2,048,926) |
| Net cash used in financing activities | | (2,379,678) | (4,939,919) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | 16,010,225 | (12,782,873) |
| CASH AND CASH EQUIVALENTS AS AT JANUARY 1 | | 16,877,122 | 29,659,995 |
| CASH AND CASH EQUIVALENTS AS AT DECEMBER 31 | 5 | ₱32,887,347 | ₱16,877,122 |

See Notes to the Financial Statements.



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

NOTES TO THE FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

1. Reporting Entity

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

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

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

2. Basis of Preparation

Statement of compliance

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

The financial statements were approved and authorized for issuance by the Board of Trustees (BOT) on April 14, 2023.

Basis of measurement

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

Functional and presentation currency

The financial statements are presented in Philippine peso (₱), which is the functional currency of the Association. All values are rounded off to the nearest peso, except when otherwise indicated.

3. Significant Accounting Policies

Adoption of New and Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Association adopted effective for annual periods beginning on or after January 1, 2022:

- Amendments to PAS 16, *Property, Plant and Equipment – Proceeds before Intended Use*. The amendments prohibit the entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by the Management. Instead, the entity recognizes such sales proceeds and any related costs in the profit or loss.



These amendments had no impact on the financial statements of the Association.

- Amendments to PAS 37: *Onerous Contracts – Costs of fulfilling a contract*. The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to the contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling the contracts (an example would be the allocation of the depreciation charge for an item of property, plant, and equipment used in fulfilling the contract).
- Annual Improvements to PFRS Standards 2018 – 2020 Cycle
 - Amendments to PFRS 9, *Financial Instruments - Fees in the '10 Per Cent' Test for Derecognition of Financial Liabilities*. The amendment clarifies which fees an entity includes when it applies the '10 percent' test in paragraph B3.3.6 of PFRS 9 in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.
 - Amendments to PFRS 16, *Leases - Lease Incentives*. The amendment to Illustrative Example 13 accompanying PFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

New and Amended PFRS Issued but Not Yet Effective

Relevant new and amended PFRS which are not yet effective for the year ended December 31, 2022 and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2023:

- PFRS 17, *Insurance Contracts*. This standard will replace PFRS 4, *Insurance Contracts*. It requires insurance liabilities to be measured at current fulfillment value and provides a more uniform measurement and presentation approach to achieve consistent, principle-based accounting for all insurance contracts. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. In June 2020, the IASB issued amendments to the standard, including a deferral of its effective date to 1 January 2023.
- Amendments to PAS 1, *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current*. The amendments to PAS 1 specify the requirements for classifying current and noncurrent liabilities. The amendments will clarify that a right to defer must exist at the end of reporting period and the classification is unaffected by the likelihood that an entity will exercise its deferral right. The issuance of amendments was deferred until January 1, 2023, as a result of COVID-19 pandemic.
- Amendments to PAS 1, *Presentation of Financial Statements* and PFRS Practice Statement 2, *Making Materiality Judgements - Disclosure Initiative - Accounting Policies*. The amendments aim to help entities provide accounting policy disclosures that are more useful by (a) replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and (b) Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.
- Amendments to PAS 12, *Income Taxes – Deferred Tax Related to Assets and Liabilities from a Single Transaction*. The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments will typically apply to transactions such as leases for the lessee and decommissioning obligations. According to the amended guidance, a temporary difference that arises on initial recognition of an asset or liability is not subject to the initial recognition exemption if that transaction gave rise to equal amounts of taxable and deductible temporary differences.
- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates*. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amended standard also clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors.



Under prevailing circumstances, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the financial statements of the Association.

Current versus noncurrent classification

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

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

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

Financial assets and financial liabilities

Date of recognition. The Association recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

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

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

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

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

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

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

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



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

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

As at December 31, 2022 and 2021, the Association does not have financial assets and liabilities at FVPL.

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

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

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2022 and 2021, the Association's cash and cash equivalents, receivables, short-term investment, rental deposits, and investments in debt securities are included under this category (Notes 5, 6, 7, 8 and 10).

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

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

As at December 31, 2022 and 2021, the Association's trade and other payables, excluding government dues, liability on individual equity value, aggregate reserve for trust liability, basic contingent benefit reserve, optional benefit reserve and claims payable on basic contingent benefit are included under this category (Notes 14, 15 and 16).

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

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

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

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



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

As at December 31, 2022 and 2021, the Associate's investments in shares of stock, mutual and unit investment funds are classified under this category (Note 9).

Reclassification

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

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

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

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

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

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

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

Impairment of Financial Assets at Amortized Cost and FVOCI

The Association records an allowance for "expected credit loss" (ECL). ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Association expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables, the Association has applied the simplified approach and has calculated ECLs based on the lifetime expected credit losses. The Association has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments measured at amortized cost and FVOCI, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Association compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.



Derecognition of financial assets and liabilities

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

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

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

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

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

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

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

Offsetting of financial assets and liabilities

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

Classification of financial instrument between liability and equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

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

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

Insurance contracts

Product classification



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

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

Benefits and claims

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

Liability adequacy tests

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

Cash and cash equivalents

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

Receivables

Receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method (EIR), less expected credit loss.

Receivables consists of unremitted members' contributions, dues, fees and others.

Other current assets

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

Investment properties, net

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

Construction in progress pertains to capitalized construction work which is recognized initially at cost and subject for depreciation upon completion.

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

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

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



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

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

Property and equipment, net

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

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

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

| | <u>Number of Years</u> |
|-------------------------------|------------------------|
| Office furniture and fixtures | 5 years |
| Transportation equipment | 5 years |
| Computer equipment | 3 years |
| Building | 60 years |

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

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

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

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

Intangible assets, net

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

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

All other expenditure is expensed as incurred.

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

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



Impairment of non-financial assets

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

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

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

Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (a) in the principal market for the asset or liability; or (b) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Association.

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

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

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

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

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

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

Trade and other payables

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



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

Government dues represent contributions of employees that is payable to various government agencies such as SSS, Philhealth and Pag-IBIG.

Liability for incurred policy benefit

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

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

Liability adequacy test

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

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

Basic contingent benefit reserves

Basic contingent benefit reserves represent the total actuarial reserve set-up by the Association pertaining to the basic life benefit that is in force as at the end of the accounting period. It refers to the amount of liability which the Association establishes for a certificate to meet the contractual obligation as it falls due.

Liability on individual equity value

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

The Association's BOT 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 BOT 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 BOT.

Optional benefit reserve

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

Claims payable on basic contingent benefit

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

Retirement benefit obligation

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



Retirement benefit costs comprise the following:

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

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

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

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

Provisions and contingencies

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

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

Fund balance

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

Restricted fund balance

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

Unrestricted fund balance

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

Accumulated remeasurement gain

Accumulated remeasurement gain includes changes in remeasurement in retirement recognized in OCI.

Unrealized gain on financial assets at FVOCI

Unrealized gain of financial assets at FVOCI includes accumulated changes in financial assets recognized in OCI.



Revenue recognition

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

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

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

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

Contribution and fees

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

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

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

Gross premiums

Gross premiums pertain to direct premiums written and assumed which is recognized as revenue over the term of the contract.

Interest income

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

Dividend income

Income from equity investments is recognized when received.

Other income

Income from other sources is recognized when earned.

Other comprehensive income

Other comprehensive income comprises items of income and expense, including items previously presented under the statements of changes in equity, that are not recognized in profit or loss for the year. Other comprehensive income of the Association pertains to gain (loss) on AFS financial assets.



Expense recognition

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

Income taxes

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

Leases

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

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

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

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

The Association as a lessor

Leases where the Association does not transfer substantially all the risks and rewards of ownership of the assets are classified as operating leases. Rent income from operating leases is recognized as income on a straight-line basis over the lease term.

Related parties

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

Events after the statement of financial position date

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



4. Use of Judgments, Estimates and Assumptions

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

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

Judgments

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

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

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

As at December 31, 2022 and 2021, management assessed that no provisions nor contingencies are necessary to be recognized or disclosed, respectively, in the financial statements.

Estimates and assumptions

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

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

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

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

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

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

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

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



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

The carrying values of property and equipment and computer software are disclosed in Notes 12 and 13.

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

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

As at December 31, 2022 and 2021, the net retirement asset amounted to ₱652,741 and ₱290,689, respectively (Note 19).

Valuation of aggregate reserves. The cost of aggregate reserves was determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the unearned premium reserves, accumulated value of members equity value, accumulated value plus interest of reserve fund and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, aggregate reserves are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Further details on the aggregate reserves are provided in Note 15 to the financial statements.

As at December 31, 2022 and 2021, the aggregate reserves amounted to ₱134,764,960 and ₱118,324,985, respectively (Note 15).

5. Cash and Cash Equivalents

This account consists of:

| | 2022 | 2021 |
|------------------|--------------------|--------------------|
| Cash on hand | ₱22,000 | ₱32,000 |
| Cash in banks | 29,670,626 | 11,095,674 |
| Cash equivalents | 3,194,721 | 5,749,448 |
| | ₱32,887,347 | ₱16,877,122 |

Cash in banks and cash equivalents earn interest ranging from .20% to .25%. Interest earned in 2022 and 2021 amounted to ₱37,192 and ₱24,927, respectively.



6. Receivables

This account consists of:

| | Note | 2022 | 2021 |
|--|------|-------------------|-------------|
| Due from related parties: | | | |
| Unremitted members' contribution dues and fees | 17 | ₱5,407,525 | ₱7,427,487 |
| Unremitted premiums | 17 | 1,831,859 | 2,244,748 |
| Accrued interest income | | 398,231 | 343,316 |
| Due from officers and employees | | 73,462 | 60,255 |
| Advances to employees | | 10,000 | 12,668 |
| Other receivables | | 186,340 | 7,675,157 |
| | | ₱7,907,417 | ₱17,763,631 |

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

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

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

Based on management's evaluation, the Association's receivables are fully collectible, thus, no allowance for impairment is necessary as at December 31, 2022 and 2021.

7. Short-term Investment

Short-term investment pertains to treasury bill amounting to ₱2,467,941 and nil in 2022 and 2021, respectively. This treasury bill represents short-term, zero-coupon investment in quoted government debt securities which are issued at a discount on its face value. The treasury bill purchases will mature on March 15, 2023.

Based on management's assessment, there is no indication of impairment in short-term investment in 2022.

8. Other Current Assets

This account consists of:

| | 2022 | 2021 |
|--------------------------------|-----------------|----------|
| Unused stationery and supplies | ₱250,868 | ₱506,347 |
| Prepaid taxes | 94,689 | 96,010 |
| Prepaid expenses | 73,623 | 80,970 |
| Rental deposit | 2,079 | 2,079 |
| | ₱421,259 | ₱685,406 |



9. Financial Assets at FVOCI

This account consists of:

| | 2022 | | |
|-------------------------------------|---------------|--------------------|--------------------|
| | No. of Shares | Acquisition Cost | Fair Value |
| Petron preferred shares series 3B | 8,000 | ₱8,000,000 | ₱8,240,000 |
| Ayala Corp Class B Preferred Shares | 10,000 | 5,000,000 | 4,700,000 |
| Save and learn fixed income fund | 2,348,914 | 5,000,000 | 5,616,958 |
| BPI unit investment | 195,533 | 20,000,000 | 22,092,219 |
| Union Bank mutual security fund | — | 408,496 | 463,313 |
| | | ₱38,408,496 | ₱41,112,490 |

| | 2021 | | |
|-------------------------------------|---------------|--------------------|--------------------|
| | No. of Shares | Acquisition Cost | Fair Value |
| Petron preferred shares series 3B | 18,000 | ₱8,000,000 | ₱8,952,000 |
| Ayala Corp Class B Preferred Shares | 10,000 | 5,000,000 | 5,120,000 |
| Save and learn fixed income fund | 2,348,914 | 5,000,000 | 5,697,291 |
| BPI unit investment | 195,524 | 20,000,000 | 22,191,936 |
| Union Bank mutual security fund | — | 408,496 | 463,607 |
| | | ₱38,408,496 | ₱42,424,834 |

The Association recognized an unrealized gain (loss) amounting to (₱1,312,344) and ₱227,720 in the statements of comprehensive income in 2022 and 2021, respectively.

Fair value is based on actual market rates as at December 31, 2022 and 2021.

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

| | 2022 | 2021 |
|------------------------|--------------------|--------------------|
| Balance, January 1 | ₱42,424,834 | ₱41,788,619 |
| Additions | — | 408,496 |
| Unrealized gain (loss) | (1,312,344) | 227,720 |
| Balance, December 31 | ₱41,112,490 | ₱42,424,834 |

The addition in 2021 is an investment in the Mutual Security Fund managed by Union Bank of the Philippines' Trust and Investment Services Group. The Association earns dividends from these investments and when there is significant and apparently permanent decline in value of the investment, as indicated by prolonged losses of the investee (and other factors), the carrying amount of the investments are written down to fair value.

Dividend income earned amounted to ₱812,134 in 2022 and 2021.

10. Investments in Debt Securities

The account consists of:

| | 2022 | 2021 |
|---------------------|--------------------|--------------------|
| Government security | ₱73,178,366 | ₱73,178,366 |
| Corporate bond | 15,280,000 | 11,000,000 |
| | ₱88,458,366 | ₱84,178,366 |



The movement in investment in debt securities is as follows:

| | 2022 | 2021 |
|-----------------------------|--------------------|--------------------|
| Balance, January 1 | P84,178,366 | P84,178,366 |
| Acquisitions | 4,280,000 | — |
| Balance, December 31 | P88,458,366 | P84,178,366 |

Interest earned in 2022 and 2021 amounted to P3,823,824 and P3,712,322, respectively. Interest rates on these investments range from 3.25% to 8.125% in 2022 and 2021.

The balance of the unamortized premium of the above investments in debt securities amounted to P16,366 in 2022 and 2021.

Based on management's assessment, there is no indication of impairment in investments in debt securities in 2022 and 2021.

11. Investment Properties, Net

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

| | | 2022 | | | |
|-------------------|--------------------|--------------------------|--------------------|--------------------|--|
| Note | Land | Construction in progress | Building | Total | |
| Cost | | | | | |
| At January 1 | P16,267,097 | P— | P49,054,127 | P65,321,224 | |
| Additions | — | — | 261,207 | 261,207 | |
| Reclassifications | (72,800) | — | 87,800 | 15,000 | |
| Depreciation | — | — | (2,493,522) | (2,493,522) | |
| | P16,194,297 | P— | P46,909,612 | P63,103,909 | |
| | | 2021 | | | |
| Note | Land | Construction in progress | Building | Total | |
| Cost | | | | | |
| At January 1 | P16,267,097 | P— | P49,054,127 | P65,321,224 | |
| Additions | — | — | — | — | |
| Reclassifications | — | — | — | — | |
| Depreciation | — | — | (1,473,808) | (1,473,808) | |
| | P16,267,097 | P— | P47,580,319 | P63,847,416 | |

The fair market value of land amounted to and P31,460,800 in 2022 and 2021. This is classified under Level 2 of the fair value hierarchy.

The Association intends to use the building to earn rentals and is recognized initially at cost. The building was made available for use in July 2020 resulting to recognition of depreciation expense of P1,019,714 (Note 22). The fair value of the building approximates its carrying value.

Rental income earned amounted to P2,265,113 and P1,797,429 in 2022 and 2021, respectively (Note 20).



12. Property and Equipment, Net

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

| | Note | Building | Transportation equipment | Computer equipment | Office furniture and fixtures | Total |
|---------------------------------|------|-------------------|--------------------------|--------------------|-------------------------------|-------------------|
| Cost | | | | | | |
| At December 31, 2020 | | ₱2,749,249 | ₱1,942,622 | ₱1,853,242 | ₱1,579,689 | ₱8,124,802 |
| Additions | | 15,000 | — | 55,181 | 33,980 | 104,161 |
| Retirement | | — | — | (30,657) | — | (30,657) |
| At December 31, 2021 | | 2,764,249 | 1,942,622 | 1,877,766 | 1,613,669 | 8,198,306 |
| Additions | | — | 31,450 | 261,858 | 2,150 | 295,458 |
| Reclassification | | (15,000) | — | — | — | (15,000) |
| Retirement | | — | — | (143,000) | — | (143,000) |
| At December 31, 2022 | | 2,749,249 | 1,974,072 | 1,996,624 | 1,615,819 | 8,335,764 |
| Accumulated depreciation | | | | | | |
| At December 31, 2020 | | 79,582 | 1,444,675 | 1,011,054 | 670,464 | 3,205,775 |
| Depreciation | 22 | 55,049 | 193,945 | 479,182 | 253,125 | 981,301 |
| Retirement | | — | — | (14,777) | — | (14,777) |
| At December 31, 2021 | | 134,631 | 1,638,620 | 1,475,459 | 923,589 | 4,172,299 |
| Depreciation | 22 | 55,049 | 200,736 | 342,931 | 254,134 | 852,850 |
| Retirement | | — | — | (143,000) | — | (143,000) |
| At December 31, 2022 | | 189,680 | 1,839,356 | 1,818,390 | 1,177,723 | 4,882,149 |
| Net book value | | | | | | |
| At December 31, 2022 | | ₱2,559,569 | ₱134,716 | ₱178,234 | ₱438,096 | ₱3,453,615 |
| At December 31, 2021 | | ₱2,629,618 | ₱304,002 | ₱402,307 | ₱690,080 | ₱4,026,007 |

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

The cost of fully depreciated assets still being used in the operation of the Association amounted to ₱1,852,157 and ₱1,156,743 as at December 31, 2022 and 2021, respectively.

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

13. Intangible Assets, Net

| | Note | |
|---------------------------------|------|------------------|
| Cost | | |
| December 31, 2020 | | ₱1,531,815 |
| Additions | | — |
| December 31, 2021 | | 1,531,815 |
| Additions | | — |
| December 31, 2022 | | 1,531,815 |
| Accumulated amortization | | |
| December 31, 2020 | | 536,434 |
| Amortization | 22 | 162,297 |
| December 31, 2021 | | 698,731 |
| Amortization | 22 | 162,297 |
| December 31, 2022 | | 861,028 |
| Net book value | | |
| December 31, 2022 | | ₱670,787 |
| December 31, 2021 | | ₱833,084 |



Intangible assets pertain to the computer software and system development that the Association acquired for its operations.

14. Trade and Other Payables

This account consists of:

| | 2022 | 2021 |
|------------------|-------------------|-------------------|
| Accounts payable | P5,173,967 | P5,537,101 |
| Accrued expenses | 537,369 | 474,498 |
| Government dues | 104,002 | 111,687 |
| Other payables | 409,396 | — |
| | P6,224,734 | P6,123,286 |

Accounts payable pertains to collection fees.

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

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

Other payables pertain to due to officers and employees and rental security deposits.

15. Aggregate Reserves

This account consists of:

| | 2022 | 2021 |
|---|---------------------|---------------------|
| Liability on individual equity value | P77,659,143 | P68,320,671 |
| Aggregate reserve for trust liability Reserved Funds (RF) | 53,862,733 | 47,500,987 |
| Optional benefit reserve | 2,751,992 | 2,163,949 |
| Basic contingent benefit reserve | 491,092 | 339,378 |
| | P134,764,960 | P118,324,985 |

| | 2022 | 2021 |
|--|---------------------|---------------------|
| Breakdown: | | |
| <i>Current portion</i> | | |
| Liability on individual equity value | P15,541,756 | P10,352,705 |
| Aggregate reserve for trust liability – RF | 10,875,922 | 9,440,668 |
| Optional benefit reserve | 2,751,992 | 2,163,949 |
| Basic contingent benefit reserve | 491,092 | 339,378 |
| | 29,660,762 | 22,296,700 |
| <i>Noncurrent portion</i> | | |
| Liability on individual equity value | 62,117,387 | 57,967,966 |
| Aggregate reserve for trust liability – RF | 42,986,811 | 38,060,319 |
| | 105,104,198 | 96,028,285 |
| | P134,764,960 | P118,324,985 |

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

Aggregate reserve for trust liability is weekly contribution of five pesos (P5), 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.



16. Claims Payable on Basic Contingent Benefit and Optional Benefit

The account consists of incurred but not paid claims amounting to ₱1,406,426 and ₱839,716 in December 31, 2022 and 2021, respectively.

| | 2022 | 2021 |
|---|-------------------|-----------------|
| Breakdown: | | |
| Claims Payable on Basic Benefit - IBNR | ₱1,058,069 | ₱613,670 |
| Claims Payable on Optional Benefit - IBNR | 348,357 | 226,046 |
| | ₱1,406,426 | ₱839,716 |

17. Fund Balance

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

| | Restricted fund balance | Unrestricted fund balance | Total |
|-------------------------------------|----------------------------|------------------------------|--------------------|
| Balance at December 31, 2021 | ₱79,173,759 | ₱22,842,174 | ₱102,015,933 |
| Movement during the year | (8,781,077) | 2,535,546 | (6,245,531) |
| Balance at December 31, 2022 | ₱70,392,682 | ₱25,377,720 | ₱95,770,402 |
| Balance at December 31, 2020 | ₱53,486,054 | ₱26,989,093 | ₱80,475,147 |
| Movement during the year | 25,687,705 | (4,146,919) | 21,540,786 |
| Balance at December 31, 2021 | ₱79,173,759 | ₱22,842,174 | ₱102,015,933 |

Restricted fund is composed of guaranty fund, benefits in kind and other relevant services, enhancement of equity value fund, capacity building, continuing member's education, hospital assistance fund, research and development fund, computer software maintenance and reclassified Aggregate reserve for Trust Liability RF & Equity value of more than 3 years lapsed members.

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

| | 2022 | 2021 |
|---|--------------------|--------------------|
| Guaranty fund | ₱33,141,756 | ₱30,816,939 |
| Restricted fund balance (equity value and RF) | 28,841,556 | 37,599,687 |
| Benefits in kind and other relevant services | 3,519,058 | 4,955,446 |
| Enhancement of equity value | — | 2,256,930 |
| Capacity building fund | 1,475,776 | 1,444,070 |
| Continuing member's education fund | 1,401,800 | 1,050,035 |
| Upgrading and improving systems and equipment | 1,000,000 | — |
| Hospital assistance fund & other member's benefit | 312,736 | 567,226 |
| Software maintenance | — | 483,426 |
| Research and development | 700,000 | — |
| | ₱70,392,682 | ₱79,173,759 |

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



As at and for the years ended December 31, 2022 and 2021, the Association's excess unrestricted fund balance from twenty percent (20%) of liabilities are as follows:

| | 2022 | 2021 |
|--|-------------|-------------|
| Unrestricted fund balance | P25,377,720 | P22,842,174 |
| Total liabilities | 142,396,120 | 124,998,169 |
| 20% of liabilities | 28,479,224 | 24,999,634 |
| Excess of unrestricted fund balance from 20% of liabilities | P— | P— |

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

| | 2022 | 2021 |
|---|-------------------|-------------------|
| Release of EV & RF of inactive and unmonitored accounts | P31,914 | P— |
| Benefits in kind and other relevant services | 1,260,545 | 1,957,283 |
| Research and development | 274,875 | 225,718 |
| Software maintenance | 75,113 | 137,860 |
| Continuing member's education fund | 63,763 | 324,235 |
| Capacity building fund | 418,978 | 41,006 |
| Other Member's Benefits | 254,490 | 204,890 |
| | P2,379,678 | P2,890,992 |

18. Related Party Transactions

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

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

| Name of related party | Relationship | Nature of the related party transaction |
|---|---------------|--|
| Kabuhayan sa Ganap Na Kasarinlan Credit and Savings Cooperative (KCOOP) | KCOOP partner | Member's Contribution and Premium Collection |

The following summarizes the Association's related party transactions:

| | Note | 2022 | | | 2022 |
|--|------|--------------------|---------------------------|----------------------|-------------------|
| | | 2021 | Additions during the year | Payment/ Collections | |
| Unremitted Contribution Dues and Fees | 6 | P6,099,434 | P35,964,925 | (P38,183,534) | P3,790,831 |
| Unremitted Premiums | 6 | 1,958,946 | 12,129,487 | (12,613,149) | 1,475,290 |
| Receivable from KCOOP | | 7,496,943 | — | (7,496,104) | 839 |
| Payable to KCOOP | | (3,570,778) | (20,745,186) | 21,484,276 | (2,831,688) |
| | | P11,984,545 | P27,349,226 | (P36,808,511) | P2,435,272 |



| | | 2021 | | | |
|---------------------------------------|------|-------------------|---------------------------------|-------------------------|--------------------|
| | Note | 2020 | Additions during the year | Payment/ Collections | 2021 |
| Unremitted Contribution Dues and Fees | 6 | ₱7,112,411 | ₱38,781,174 | (₱32,681,741) | ₱6,099,434 |
| Unremitted Premiums | 6 | 2,319,090 | 11,706,280 | (9,461,531) | 1,958,946 |
| Receivable from KCOOP | | — | 7,496,943 | — | 7,496,943 |
| Payable to KCOOP | | — | — | (3,570,778) | (3,570,778) |
| | | ₱9,431,501 | ₱57,984,397 | (₱45,714,050) | ₱11,984,545 |

Details of the Association's related party transactions follow:

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

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

| | Note | 2022 | 2021 | Terms and conditions | Security | Nature of consideration to be provided upon settlement | Details of guarantees given or received | Impairment loss |
|---------------------------------------|------|--------------------|-------------|-------------------------|-----------|--|--|--------------------|
| Unremitted Contribution Dues and Fees | 6 | ₱3,790,831 | ₱6,099,434 | Demandable | Unsecured | Cash | None | None |
| Unremitted Premiums | 6 | 1,475,290 | 1,958,946 | Demandable | Unsecured | Cash | None | None |
| Receivable from KCOOP | 6 | 839 | 7,496,943 | Demandable | Unsecured | Cash | None | None |
| Payable to KCOOP | | (2,831,688) | (3,570,778) | Demandable | Unsecured | Cash | None | None |

Compensation of Key Management Personnel

Compensation and benefits paid to key management personnel amounted to ₱2,004,562 and ₱1,669,771 in 2022 and 2021, respectively.

19. Retirement Benefit Obligation, Net

The Association has a noncontributory, defined benefit plan covering all its officers and regular employees. Retirement benefits expense recognized in the statements of comprehensive income is computed based on provision of PAS 19 (Amended). The principal actuarial assumptions used to determine the funding of the trust fund is accrued benefit actuarial cost method which take into account the factors of investment, mortality, disability, and salary projection rates. The latest actuarial valuation is as at December 31, 2022.

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

| | 2022 | 2021 |
|---|--------------------|-------------|
| Present value of the obligation | ₱2,669,228 | ₱3,137,978 |
| Fair value of plan assets | (3,321,969) | (3,428,667) |
| Retirement benefit obligation (plan asset), net | (₱652,741) | (₱290,689) |



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

| | Note | 2022 | 2021 |
|------------------------|------|-----------------|----------|
| Current service cost | | ₱342,783 | ₱328,670 |
| Interest cost (income) | | (13,789) | 24,479 |
| | 22 | ₱328,994 | ₱353,149 |

a. Reconciliation of defined benefit obligation

The movement in the defined benefit obligation is as follows:

| | 2022 | 2021 |
|---|-------------------|------------|
| Present value of the obligation at January 1 | ₱3,137,978 | ₱2,817,210 |
| Current service cost | 342,783 | 328,670 |
| Interest cost | 148,843 | 118,168 |
| Remeasurements in other comprehensive income: | | |
| Loss (gain) in defined benefit obligation from changes in financial assumptions | (906,777) | (236,648) |
| Loss (gain) in defined benefit obligation due to experience | (53,599) | 110,578 |
| | (468,750) | 320,768 |
| Present value of the obligation at December 31 | ₱2,669,228 | ₱3,137,978 |
| Fair value of plan assets at January 1 | ₱3,428,667 | ₱1,209,139 |
| Contribution | — | 2,048,926 |
| Expected return | 162,632 | 93,689 |
| Remeasurements in other comprehensive income: | | |
| Gain in defined benefit obligation due to experience | (269,330) | 76,913 |
| | (106,698) | 2,219,528 |
| Fair value of plan assets at December 31 | ₱3,321,969 | ₱3,428,667 |
| Retirement benefit obligation at December 31 | (₱652,741) | (₱290,689) |

b. Remeasurements in other comprehensive income

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

| | 2022 | 2021 |
|--------------------------------|-------------------|------------|
| Beginning | (₱394,574) | (₱597,557) |
| Actuarial gain recognized, net | 691,046 | 202,983 |
| | ₱296,472 | (₱394,574) |

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

| | 2022 | 2021 |
|-----------------------------------|--------------|-------|
| Discount rate | 7.50% | 4.74% |
| Expected rate of salary increases | 5.00% | 5.00% |



20. Revenue

This account consists of:

| | Note | 2022 | 2021 |
|-----------------------------|------|--------------------|-------------|
| Gross member's contribution | | ₱32,067,220 | ₱27,755,925 |
| Gross premium | | 14,400,110 | 10,826,485 |
| Rental income | 11 | 2,265,113 | 1,797,429 |
| Membership fees | | 2,016,985 | 1,756,915 |
| Miscellaneous income | | 765,517 | 584,605 |
| | | ₱51,514,945 | ₱42,721,359 |

Rental income is earned from the lease of investment properties (Note 11).

Miscellaneous income is composed of other income from members and income other than contribution, premiums and membership fees.

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

| | 2022 | 2021 |
|-----------------------|--------------------|-------------|
| A point in time | ₱46,496,349 | ₱38,582,410 |
| Over a period of time | 5,018,596 | 4,138,949 |
| | ₱51,514,945 | ₱42,721,359 |

21. Benefit Expenses

| | 2022 | 2021 |
|--|--------------------|--------------|
| Allocation for liability on individual equity | ₱3,387,050 | (₱2,690,101) |
| Benefit/claims expenses – BLIP | 9,428,360 | 12,989,326 |
| Benefit/claims expenses - Equity value | 12,646,560 | 16,568,063 |
| Benefit/claims expenses – CLIP | 3,252,061 | 3,470,762 |
| Benefit/claims expenses – HIIP | 95,600 | 60,200 |
| Collection fees | 6,641,400 | 5,139,994 |
| Other expenses for members | 5,000 | 99,638 |
| Increase/decrease in aggregate reserve for trust liability | 545,240 | (10,436,420) |
| Increase/decrease in reserve for basic contingent fund | 596,113 | (351,197) |
| Increase/decrease in liability on individual equity | 961,102 | (14,495,520) |
| Increase/decrease in reserve for optional benefit | 710,354 | 448,866 |
| | ₱38,268,840 | ₱10,803,611 |



22. Operating Expenses

This account consists of:

| | Note | 2022 | 2021 |
|--|------|--------------------|-------------|
| Salaries, wages and benefits | | ₱6,495,298 | ₱5,770,704 |
| Depreciation of investment properties | 11 | 1,019,714 | 982,539 |
| Depreciation of property and equipment | 12 | 852,850 | 981,301 |
| Repairs and maintenance | | 574,410 | 501,466 |
| Office supplies | | 547,953 | 587,354 |
| Service fee | | 509,767 | 475,560 |
| Utilities | | 434,641 | 355,619 |
| Taxes, licenses and fees | | 406,390 | 535,677 |
| Technical and professional fees | | 361,076 | 344,430 |
| Retirement benefit cost | 19 | 328,994 | 353,149 |
| Transportation and travel allowance | | 258,786 | 236,632 |
| Amortization | 13 | 162,297 | 162,297 |
| Communication expense | | 158,917 | 172,108 |
| Meeting and conferences | | 151,022 | 42,464 |
| Annual general assembly | | 120,086 | 49,826 |
| Building supplies | | 103,415 | 103,235 |
| Insurance | | 86,462 | 122,071 |
| MBA Dues | | 72,267 | 69,409 |
| Representation and entertainment | | 64,310 | — |
| Bank and other charges | | 62,387 | 28,381 |
| Dues and subscription | | 53,931 | 40,354 |
| Gasoline expense | | 35,692 | — |
| Medicine | | 29,267 | 15,129 |
| Reinsurance premium | | 29,000 | 42,664 |
| Meals | | 20,297 | 6,011 |
| Monitoring expense | | 20,193 | — |
| Marketing, advertising and promotions | | 8,811 | 6,160 |
| OJT allowance | | 3,557 | — |
| Professional and Technical Dev't | | — | 16,000 |
| Research and development | | — | 9,886 |
| Donations and contributions | | — | 5,000 |
| Miscellaneous | | 14,102 | 6,692 |
| | | ₱12,985,892 | ₱12,022,118 |

23. 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.

Income tax expense amounting to ₱76,357 and ₱17,882 was recognized from the rental income earned from its investment properties in 2022 and 2021, respectively.

The Association's deferred tax asset amounting to ₱31,116 as at December 31 arises from the following:

| | 2022 | 2021 |
|-------|-----------------|------|
| NOLCO | ₱124,463 | ₱— |



24. Financial Risk Management Objectives and Policies

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

Credit risk

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

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

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

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

| | Notes | 2022 | 2021 |
|--------------------------------|-------|---------------------|---------------------|
| Cash and cash equivalents* | 5 | ₱32,865,347 | ₱16,877,122 |
| Receivables | 6 | 7,907,417 | 17,763,631 |
| Short term investment | 7 | 2,467,941 | — |
| Rental deposit | | 2,079 | 2,079 |
| Financial assets at FVOCI | 9 | 41,112,490 | 42,424,834 |
| Investments in debt securities | 10 | 88,458,366 | 84,178,366 |
| | | ₱172,813,640 | ₱161,246,032 |

*Cash and cash equivalents exclude cash on hand amounting to ₱22,000 and ₱32,000 in 2022 and 2021, respectively.

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

| | December 31, 2022 | | | | | | | Impaired |
|------------------------------------|---------------------|-------------------------------|-------------------------------|--------------|---------------|----------------|--------------------|----------|
| | Total | Neither impaired nor past due | Past due but not yet impaired | | | | More than 120 days | |
| | | | Current | 1 to 60 days | 61 to 90 days | 91 to 120 days | | |
| Financial assets at amortized cost | | | | | | | | |
| Cash and cash equivalents* | ₱32,865,347 | ₱32,865,347 | ₱— | ₱— | ₱— | ₱— | ₱— | ₱— |
| Receivables | 7,907,417 | 7,907,417 | — | — | — | — | — | — |
| Short term investment | 2,467,941 | 2,467,941 | — | — | — | — | — | — |
| Rental deposit | 2,079 | 2,079 | — | — | — | — | — | — |
| Investments in debt securities | 88,458,366 | 88,458,366 | — | — | — | — | — | — |
| Financial assets at FVOCI | 41,112,490 | 41,112,490 | — | — | — | — | — | — |
| | ₱172,813,640 | ₱172,813,640 | ₱— | ₱— | ₱— | ₱— | ₱— | ₱— |



December 31, 2021

| | December 31, 2021 | | | | | | |
|---------------------------------------|---------------------|-------------------------------------|-------------------------------|---------------|-------------------|-----------------------|-----------|
| | Total | Neither impaired nor past due | Past due but not yet impaired | | | | Impaired |
| | | Current | 1 to 60 days | 61 to 90 days | 91 to 120 days | More than 120 days | |
| Financial assets at amortized cost | | | | | | | |
| Cash and cash equivalents* | ₱16,845,122 | ₱16,845,122 | ₱— | ₱— | ₱— | ₱— | ₱— |
| Receivables | 17,763,631 | 17,763,631 | — | — | — | — | — |
| Short term investment | — | — | — | — | — | — | — |
| Rental deposit | 2,079 | 2,079 | — | — | — | — | — |
| Investments in debt securities | 84,178,366 | 84,178,366 | — | — | — | — | — |
| Financial assets at FVOCI | 42,424,834 | 42,424,834 | — | — | — | — | — |
| | ₱161,214,032 | ₱161,214,032 | ₱— | ₱— | ₱— | ₱— | ₱— |

*Cash and cash equivalents exclude cash on hand amounting to ₱22,000 and ₱32,000 in 2022 and 2021, respectively.

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, 2022 and 2021:

| | 2022 | | | | | | Total |
|---------------------------------------|-------------------------------|-------------------|----------------------|-----------|------------------------------|-----------|---------------------|
| | Neither Past Due nor Impaired | | | | Past Due but Not Impaired | Impaired | |
| | High Grade | Standard Grade | Substandard Grade | Unrated | | | |
| Financial assets at amortized cost | | | | | | | |
| Cash and cash equivalents* | ₱32,865,347 | ₱— | ₱— | ₱— | ₱— | ₱— | ₱32,865,347 |
| Receivables | 7,907,417 | — | — | — | — | — | 7,907,417 |
| Short-term investment | 2,467,941 | — | — | — | — | — | 2,467,941 |
| Rental deposit | 2,079 | — | — | — | — | — | 2,079 |
| Investments in debt securities | 88,458,366 | — | — | — | — | — | 88,458,366 |
| Financial assets at FVOCI | 41,112,490 | — | — | — | — | — | 41,112,490 |
| | ₱172,813,640 | ₱— | ₱— | ₱— | ₱— | ₱— | ₱172,813,640 |



| | 2021 | | | | | | Total |
|---------------------------------------|-------------------------------|-------------------|----------------------|-----------|------------------------------|-----------|---------------------|
| | Neither Past Due nor Impaired | | | | Past Due but Not Impaired | Impaired | |
| | High Grade | Standard Grade | Substandard Grade | Unrated | | | |
| Financial assets at amortized cost | | | | | | | |
| Cash and cash equivalents* | ₱16,845,122 | ₱— | ₱— | ₱— | ₱— | ₱— | ₱16,845,122 |
| Receivables | 17,763,631 | — | — | — | — | — | 17,763,631 |
| Rental deposit | 2,079 | — | — | — | — | — | 2,079 |
| Investments in debt securities | 84,178,366 | — | — | — | — | — | 84,178,366 |
| Financial assets at FVOCI | 42,424,834 | — | — | — | — | — | 42,424,834 |
| | ₱161,214,032 | ₱— | ₱— | ₱— | ₱— | ₱— | ₱161,214,032 |

*Cash and cash equivalents exclude cash on hand amounting to ₱22,000 and ₱32,000 in 2022 and 2021, respectively.

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 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.

| | Notes | 2022 | | | | Total |
|---|-------|--------------------|-----------------------|-------------------|---------------------|---------------------|
| | | On demand | Less than 3 months | 3 to 12 months | 1 to 5 years | |
| Trade and other payables* | 14 | ₱6,120,732 | ₱— | ₱— | ₱— | ₱6,120,732 |
| Liability on individual equity value | 15 | 15,541,756 | — | — | 62,117,387 | 77,659,143 |
| Aggregate reserve for trust liability | 15 | 10,875,922 | — | — | 42,986,811 | 53,862,733 |
| Basic contingent benefit reserve | 15 | 491,092 | — | — | — | 491,092 |
| Optional benefit reserve | 15 | 2,751,992 | — | — | — | 2,751,992 |
| Claims payable on basic contingent benefit | 16 | 1,406,426 | — | — | — | 1,406,426 |
| | | ₱37,187,920 | ₱— | ₱— | ₱105,104,198 | ₱142,292,118 |



| | Notes | 2021 | | | | Total |
|--|-------|--------------------|--------------------|----------------|--------------------|---------------------|
| | | On demand | Less than 3 months | 3 to 12 months | 1 to 5 years | |
| Trade and other payables* | 14 | ₱6,011,599 | ₱— | ₱— | ₱— | ₱6,011,599 |
| Liability on individual equity value | 15 | 10,352,705 | — | — | 57,967,966 | 68,320,671 |
| Aggregate reserve for trust liability | 15 | 9,440,668 | — | — | 38,060,319 | 47,500,987 |
| Basic contingent benefit reserve | 15 | 339,378 | — | — | — | 339,378 |
| Optional benefit reserve | 15 | 2,163,949 | — | — | — | 2,163,949 |
| Claims payable on basic contingent benefit | 16 | 839,716 | — | — | — | 839,716 |
| | | ₱29,148,015 | ₱— | ₱— | ₱96,028,285 | ₱125,176,300 |

*Trade and other payables exclude government dues amounting to ₱104,002 and ₱111,687 in 2022 and 2021, respectively.

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 less cash and cash equivalents divided by total equity. Total debt is equivalent to total liabilities shown in the statements of financial position. Total equity comprises all components of equity including share capital and related earnings.

| | 2022 | 2021 |
|---------------------------|---------------------|--------------|
| Debt | ₱142,396,120 | ₱124,998,169 |
| Cash and cash equivalents | (32,887,347) | (16,877,122) |
| Net Debt | 109,508,773 | 108,121,047 |
| Equity | 98,739,752 | 105,637,697 |
| Net debt to equity ratio | 1.11:1 | 1.02:1 |

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

Margin of Solvency (MOS)

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

The MOS shall be the excess of the value of its admitted assets (as defined under the IC Code), exclusive of its paid-up capital, over the amount of its liabilities, unearned premiums and reinsurance reserves. As at December 31, 2022 and 2021, the Association's MOS ratio based on its calculations are 119.40% and 123.74%, 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 is as follows:

| | 2022 | 2021 |
|----------------------|--------------------|--------------------|
| Admitted assets | P239,903,115 | P221,208,298 |
| Admitted liabilities | 142,396,120 | 124,998,169 |
| Net worth | P97,506,995 | P96,210,129 |

As at December 31, 2022 and 2021, 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:

| | 2022 | 2021 |
|----------------------------------|-------------------|-------------------|
| Transportation equipment | P134,716 | P304,002 |
| Other current assets | 421,259 | 685,406 |
| Receivables | 269,802 | 7,748,080 |
| Office furniture and fixture | 438,096 | 690,080 |
| Total non-admitted assets | P1,263,873 | P9,427,568 |

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

Price risk

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

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

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

The following table shows the equity impact of reasonable possible change in the fair values of the Association's investments as of December 31, 2022 and 2021 (all other variables held constant), respectively.

| | 2022 | | 2021 | |
|---------------------------|------------|--------------------------------------|------------|--------------------------------------|
| | Volatility | Effect on Total Comprehensive Income | Volatility | Effect on Total Comprehensive Income |
| Financial assets at FVOCI | 1% (1%) | P17,702 (17,702) | 1% (1%) | P17,702 (17,702) |

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 at December 31, 2022 and 2021, the Association has a total of P33,141,756 and P30,816,939 representing guaranty fund which is deposited with the IC.



25. Financial Assets and Financial Liabilities

The table below presents a comparison by category of carrying amounts and fair values of the Association's financial instruments as at December 31, 2022 and 2021:

| | 2022 | | 2021 | |
|--|--------------------|--------------------|--------------------|--------------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Financial Assets | | | | |
| Cash and cash equivalents | ₱32,887,347 | ₱32,887,347 | ₱16,877,122 | ₱16,877,122 |
| Receivables, net | 7,907,417 | 7,907,417 | 17,763,631 | 17,763,631 |
| Short-term investment | 2,467,941 | 2,467,941 | — | — |
| Rental deposit | 2,079 | 2,079 | 2,079 | 2,079 |
| Investment in debt securities | 88,458,366 | 88,458,366 | 84,178,366 | 84,178,366 |
| Financial assets at FVOCI | 41,112,490 | 41,112,490 | 42,424,834 | 42,424,834 |
| | 172,835,640 | 172,835,640 | 161,246,032 | 161,246,032 |
| Financial Liabilities | | | | |
| Trade and other payables* | 6,120,732 | 6,120,732 | 6,011,599 | 6,011,599 |
| Liability on individual equity value | 77,659,143 | 77,659,143 | 68,320,671 | 68,320,671 |
| Aggregate reserve for trust liability | 53,862,733 | 53,862,733 | 47,500,987 | 47,500,987 |
| Basic contingent benefit reserve | 491,092 | 491,092 | 339,378 | 339,378 |
| Optional benefit reserve | 2,751,992 | 2,751,992 | 2,163,949 | 2,163,949 |
| Claims payable on basic contingent benefit | 1,406,426 | 1,406,426 | 839,716 | 839,716 |
| | 142,292,118 | 142,292,118 | 125,176,300 | 125,176,300 |
| | ₱30,543,522 | ₱30,543,522 | ₱36,069,732 | ₱36,069,732 |

*Trade and other payables exclude government dues amounting to ₱104,002 and ₱111,687 in 2022 and 2021, respectively.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents, Receivables, net, Short-term Investment, Rental Deposit. The carrying amounts of cash and cash equivalents, and receivables approximate fair values primarily due to the relatively short-term maturities of these financial instruments.

Investment in debt securities and Financial assets at FVOCI. The fair values of publicly traded instruments and similar investments are based on quoted market prices in an active market.

Trade and Other Payable, Liability on Individual Equity Value, Aggregate Reserve for Trust Liability, Basic Contingent Benefit Reserve, Optional Benefit Reserve Claims Payable On Basic Contingent Benefit. The carrying amount of accounts payable and other current liabilities approximates fair value due to the relatively short-term maturity of this financial instrument.

Fair Value Hierarchy

Financial assets and financial liabilities measured at fair value in the statements of financial position are categorized in accordance with the fair value hierarchy. This hierarchy groups financial assets and financial liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial liabilities (Note 3).



The table below analyzes financial instruments carried at fair value by valuation method:

| 2022 | Level 1 | Level 2 | Total |
|-----------------------------|-------------------|--------------------|--------------------|
| Financial Assets | | | |
| Investment in debt security | ₱— | ₱88,458,366 | ₱88,458,366 |
| Financial assets at FVOCI | 41,112,490 | — | 41,112,490 |
| 2021 | Level 1 | Level 2 | Total |
| Financial Assets | | | |
| Investment in debt security | ₱— | ₱84,178,366 | ₱84,178,366 |
| Financial assets at FVOCI | 42,424,834 | — | 42,424,834 |

The Association has no financial instruments valued based on Level 3 as at December 31, 2022 and 2021. In 2022 and 2021, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.



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

a. Output VAT

The amount of output tax declared by the Association is ₱228,859 and ₱232,244 for the year 2022 and 2021, respectively.

b. Input VAT

The amount of input tax claimed by the Association is ₱150,539 and ₱9,360 for the year 2022 and 2021, respectively.

c. Landed cost of importation, custom duties and tariff fees

The Association did not have any importations in 2022 that would require for the payment of customs duties and tariff fees.

d. Excise taxes

The Association did not have any transactions in 2022 which are subject to excise tax.

e. Documentary stamp tax (DST)

The Association did not have any transactions in 2022 which are subject to documentary stamp tax.

f. Other taxes and licenses

Details of the Association's other taxes and licenses and permits in 2022 are as follows:

| | |
|------------------|-----------------------------|
| Duties and taxes | ₱357,530 |
| Business Permit | 39,707 |
| Registration fee | 500 |
| Others | 8,653 |
| | <hr/> <hr/> ₱406,390 |

g. Withholding taxes

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

| | |
|--------------------------------|-----------------------------|
| Withholding tax – Compensation | ₱500,545 |
| Withholding tax – Expanded | 12,282 |
| | <hr/> <hr/> ₱512,827 |

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

The Association has not yet received a final assessment notice from the Regional Office for the taxable year December 31, 2022 for deficiency income/VAT/percentage/withholding tax, which has been protested/agreed upon.



REVENUE REGULATION (RR) NO. 34-020

RR No. 34-2020, Prescribing the Guidelines and Procedures for the Submission of BIR Form No. 1709, Transfer Pricing Documentation (TPD) and other Supporting Documents, Amending for this Purpose the Pertinent Provisions of RR Nos. 19-2020 and 21-2002, as amended by RR No. 15-2010, to streamline the guidelines and procedures for the submission of BIR Form No. 1709, TPD and other supporting documents. Section 2 of the RR enumerated the taxpayers required to file and submit the RPT Form, together with the Annual Income Tax Return.

The Association is not covered by the requirements and procedures for related party transactions provided under RR 34-2020 for the year ended December 31, 2022.





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