

# Alas Oplas & Co., CPAs

Independent Member of  
**B K R International**

**PROVIDERS MUTUAL BENEFIT ASSOCIATION,  
(PROVIDERS MBAI) INC.  
NAGUILIAN, ISABELA – PHILIPPINES**

**FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023**

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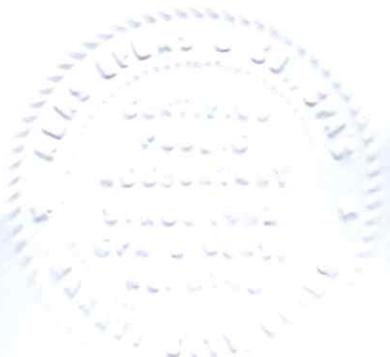
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# Alas Oplas & Co., CPAs

Alas Oplas & Co., CPAs  
7/F Philippine AXA Life Centre  
1286 Sen. Gil Puyat Avenue  
Makati City, Philippines 1200  
Phone: (632) 7116-4366  
Email: aoheadoffice@alasoelas.com  
Website: www.alasoelascpas.com

## INDEPENDENT AUDITORS' REPORT

Independent Member of  
**B K R International**

To the Members and the Board of Trustees  
**PROVIDERS MUTUAL BENEFIT ASSOCIATION, (PROVIDERS MBAI) INC.**  
Magsaysay, Naguilian, Isabela

### Opinion

We have audited the financial statements of **PROVIDERS MUTUAL BENEFIT ASSOCIATION, (PROVIDERS MBAI) INC.** (the "Association"), which comprise the statements of financial position as of December 31, 2024 and 2023, and the related statements of comprehensive loss, statements of changes in fund balance and statements of cash flows for the years then ended, and notes to financial statements, including material accounting policies and other explanatory information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2024 and 2023, and its financial performance and its cash flow for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

### Basis for Opinion

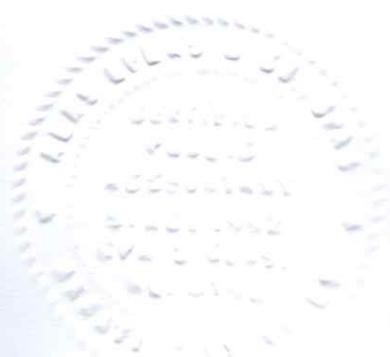
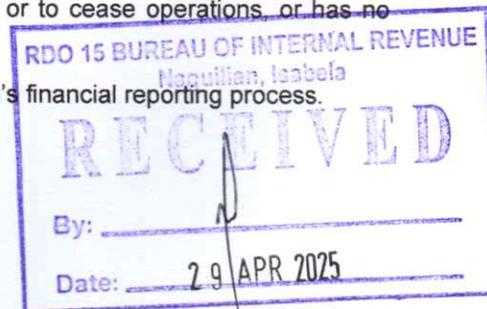
We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Association in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our 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 opinion.

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

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

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

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



# Alas Oplas & Co., CPAs

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

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

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

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



# Alas Oplas & Co., CPAs

## The Supplementary Information Required under Revenue Regulation No. 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Information Required under Revenue Regulation No. 15-2010 on taxes, duties and license fees paid or accrued during the taxable year in Note 30 to the financial statements are presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of **PROVIDERS MUTUAL BENEFIT ASSOCIATION, (PROVIDERS MBI) INC.** 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.

### ALAS, OPLAS & CO., CPAs

BOA Registration No. 0190, valid from February 19, 2025, to February 18, 2028  
BIR A.N. 08-001026-000-2024, issued on January 5, 2024; effective until January 4, 2027  
SEC A.N. (Firm) 0190-SEC, Group A, issued on October 21, 2021; valid for 2021 to 2025 audit period  
TIN 002-013-406-000

By:



**RYAN A. SABUG**

Partner

CPA License No. 0111183

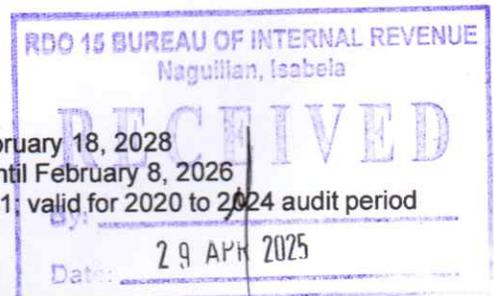
BOA Registration No. 0190/P-004, valid from February 19, 2025, to February 18, 2028

BIR A.N. 08-001026-004-2023, issued on February 9, 2023; effective until February 8, 2026

SEC A.N. (Individual) 111183-SEC, Group A, issued on February 4, 2021; valid for 2020 to 2024 audit period

TIN 232-158-286-000

PTR No. 10466283, issued on January 2, 2025, Makati City

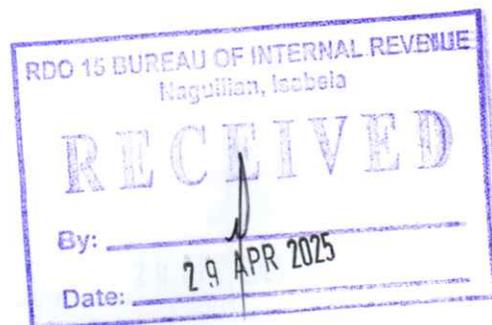


April 14, 2025  
Makati City, Philippines

**PROVIDERS MUTUAL BENEFIT ASSOCIATION, (PROVIDERS MBI) INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2024 AND 2023**  
 In Philippine Peso

	Notes	2024	2023
<b>ASSETS</b>			
Cash in bank	8	3,379,164	100,000
Financial asset at fair value through OCI (FVOCI)	10	5,000,000	5,000,000
Property and equipment – net	11	31,490	–
Prepayments and other current assets	9	6,984	–
<b>TOTAL ASSETS</b>		<b>8,417,638</b>	<b>5,100,000</b>
<b>LIABILITIES AND FUND BALANCE</b>			
<b>LIABILITIES</b>			
Accounts payable	12	–	797,682
Other accrued expenses	13	75,000	–
Legal policy reserves	14	5,501,238	–
<b>TOTAL LIABILITIES</b>		<b>5,576,238</b>	<b>797,682</b>
<b>FUND BALANCE</b>			
Funds assigned for guaranty fund	15	5,313,346	5,000,000
Funds assigned for incremental benefit for individual equity value	16	68,410	–
Accumulated net loss	17	(2,540,356)	(697,682)
<b>TOTAL FUND BALANCE</b>		<b>2,841,400</b>	<b>4,302,318</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>		<b>8,417,638</b>	<b>5,100,000</b>

See Notes to Financial Statements.



**PROVIDERS MUTUAL BENEFIT ASSOCIATION, (PROVIDERS MBAI) INC.**  
**STATEMENTS OF COMPREHENSIVE LOSS**  
**FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**  
**In Philippine Peso**

	Notes	2024	2023
Underwriting income	20	3,382,616	-
Underwriting expense	21	(2,426,776)	-
Net underwriting income		955,840	-
Other income	22	150	-
General and administrative expenses	23	(2,798,664)	(343,789)
Loss before tax		(1,842,674)	(343,789)
Income tax expense	24	-	-
<b>NET LOSS</b>		<b>(1,842,674)</b>	<b>(343,789)</b>
<b>OTHER COMPREHENSIVE INCOME</b>		<b>-</b>	<b>-</b>
<b>TOTAL COMPREHENSIVE LOSS</b>		<b>(1,842,674)</b>	<b>(343,789)</b>

*See Notes to Financial Statements.*



**PROVIDERS MUTUAL BENEFIT ASSOCIATION, (PROVIDERS MBAI) INC.**  
**STATEMENTS OF CHANGES IN FUND BALANCE**  
**FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**  
**In Philippine Peso**

	Funds assigned for guaranty fund (Note 15)	Funds assigned for incremental benefit for individual equity value (Note 16)	Accumulated net losses (Note 17)	Total
Balance, December 31, 2022	5,000,000	-	(353,893)	4,646,107
Loss for the year	-	-	(343,789)	(343,789)
Balance, December 31, 2023	5,000,000	-	(697,682)	4,302,318
Additional members' contribution	313,346	-	-	313,346
Additional funding	-	68,410	-	68,410
Loss for the year	-	-	(1,842,674)	(1,842,674)
<b>Balance, December 31, 2024</b>	<b>5,313,346</b>	<b>68,410</b>	<b>(2,540,356)</b>	<b>2,841,400</b>

*See Notes to Financial Statements.*



**PROVIDERS MUTUAL BENEFIT ASSOCIATION, (PROVIDERS MBI) INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**  
**In Philippine Peso**

	Notes	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before income tax		(1,842,674)	(343,789)
Adjustments for:			
Interest Income	8	(150)	-
Depreciation	11	2,010	-
Additional funds assigned for incremental benefit for individual equity	16	68,410	-
Operating cash flows before working capital changes		(1,772,404)	(343,789)
Decrease (increase) in prepayments and other current assets		(6,984)	9,935
Increase (decrease) in:			
Accounts payable		(797,682)	333,854
Other accrued expenses	13	75,000	-
Legal policy reserves	14	5,501,238	-
Cash generated from operations		2,999,168	-
Interest received	8	150	-
Net cash generated from operating activities		2,999,318	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisitions of property and equipment	11	(33,500)	-
Acquisition of financial asset at fair value through OCI (FVOCI)	10	-	(5,000,000)
Net cash used in investing activities		(33,500)	(5,000,000)
<b>CASH FLOW FROM FINANCING ACTIVITY</b>			
Additional fund assigned for guaranty fund	15	313,346	-
<b>NET INCREASE (DECREASE) IN CASH</b>		<b>3,279,164</b>	<b>(5,000,000)</b>
<b>CASH AT BEGINNING OF YEAR</b>		<b>100,000</b>	<b>5,100,000</b>
<b>CASH AT END OF YEAR</b>	8	<b>3,379,164</b>	<b>100,000</b>

See Notes to Financial Statements.



## 1. CORPORATE INFORMATION

**PROVIDERS MUTUAL BENEFIT ASSOCIATION, (PROVIDERS MBAI) INC.** (the "Association") was incorporated and registered with the Philippine Securities and Exchange Commission on June 2, 2022 with registration No. 2022060054625-00.

The purpose for which such Association is formed is to advance the interests and promote the welfare of the poor in particular, and the interest and welfare of the Philippines in general. Specifically, the Association purpose are:

- 1) To extend financial assistance to its members, spouse, children, and parents in the form of death benefits, total and permanent disability (TPD), sickness benefits, provident savings and loan redemption assistance;
- 2) To ensure continued access to benefits and resources by actively involving the members in the management of the association that will include implementation of policies and procedures geared towards sustainability and improved services;
- 3) To provide benefits in-kind and other relevant financial assistance to its members;
- 4) To ensure compliance with administrative and regulatory issuances, rulings, directives by professionalizing the association, management, research, development and technical services operations; and
- 5) To adopt a prudent cash management program to invest cash in excess of current disbursement through a majority vote of its Board of Trustees.

The Association's registered address is at 1AH26 Magsaysay, Naguilian, Isabela which is also its principal place of business. The Association is domiciled in the Philippines.

### 1.01 Status of Operation

On June 21, 2023, the Insurance Commission approved the Association's license to operate as microinsurance provider. The Association commenced its commercial operations in 2024.

## 2. BASIS FOR THE PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

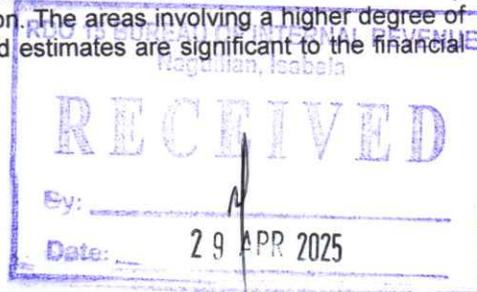
### 2.01 Basis of Preparation

The financial statements of the Association have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards. PFRS Accounting Standards are adopted by the Financial and Sustainability Reporting Standards Council (FSRSC) from the pronouncements issued by the International Accounting Standards Board (IASB) and approved by the Philippine Board of Accountancy.

PFRS Accounting Standards include all applicable PFRSs, Philippine Accounting Standards (PASs), and Interpretations issued by the Philippine Interpretations Committee – IFRIC as approved by the FSRSC and adopted by the SEC.

These financial statements have been prepared under the historical cost convention.

The preparation of these financial statements in conformity with PFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Association's accounting policies. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes that the underlying assumptions are appropriate and that the financial statements therefore fairly present the financial position and results of the Association. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.



#### *Revised Standard Chart of Accounts (SCA)*

On September 25, 2014, the IC issued Circular Letter (CL) No. 2014-41 presenting a revised SCA for mutual benefit associations. The revised SCA is in line with the requirements of Revised SRC Rule 68, Section 189 of the amended Code, and PFRSs. The Association implemented the CL in 2015 and is being continuously observed. On January 20, 2021, the IC issued CL No. 2021-04, adding certain specific accounts in the SCA.

#### **2.02 Presentation and Functional Currency**

Items included in the financial statements of the Association are measured using Philippine Peso, the currency of the primary economic environment in which the Association operates (the "functional currency"). All presented financial information has been rounded to the nearest Peso, except when otherwise specified.

#### **2.03 Use of Judgments and Estimates**

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

Judgments are made by management in the development, selection and disclosure of the Association's significant accounting policies and estimates and the application of these policies and estimates.

The estimates and assumptions are reviewed on an ongoing basis. These are based on management's evaluation of relevant facts and circumstances as of the reporting date. Actual results could differ from such estimates.

Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### **2.04 Going Concern Assumption**

The Association is not aware of any significant uncertainties that may cast doubts upon the Association's ability to continue as a going concern.

### **3. ADOPTION OF NEW AND AMENDED ACCOUNTING STANDARDS**

#### **3.01 New and Amended Standards and Interpretations Effective on January 1, 2024**

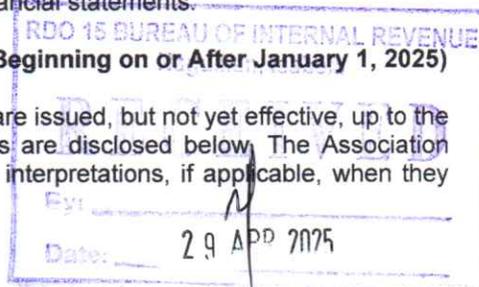
The Association applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2024, unless otherwise stated.

- Classification of Liabilities as Current or Non-current (Amendments to PAS 1)
- Lease Liability in a Sale and Leaseback (Amendments to PFRS 16)
- Supplier Finance Arrangements (Amendments to PAS 7 and PFRS 7)
- Non-current Liabilities with Covenants (Amendments to PAS 1)

These amendments had no impact on the Association's financial statements.

#### **3.02 Standards Issued but Not Yet Effective (Effective Beginning on or After January 1, 2025)**

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Association's financial statements are disclosed below. The Association intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.



3.02.01 PFRS 17 Insurance Contracts

PFRS 17 'Insurance Contracts' is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. PFRS 17 replaces PFRS 4 'Insurance Contracts'. PFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them as well as to certain guarantees and financial instruments with discretionary participation features; a few scope exceptions will apply.

The overall objective of PFRS 17 is to provide a comprehensive accounting model for insurance contracts that is more useful and consistent for insurers, covering all relevant accounting aspects. PFRS 17 is based on a general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is originally effective for annual periods beginning January 1, 2023. However, the Financial Reporting Standards Council has approved, on December 15, 2021, the amendment of PFRS 17 which defers the date of initial application by two years to annual periods beginning on or after January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two years after its effective date as decided by the IASB.

The Association does not expect the standard to have a material impact on its operations or financial statements.

3.02.02 Lack of Exchangeability (Amendments to PAS 21)

In August 2023, the IASB amended PAS 21 to help entities to determine whether a currency is exchangeable into another currency, and which spot exchange rate to use when it is not.

The amendment is effective for reporting periods beginning on or after January 1, 2025. The Association does not expect these amendments to have a material impact on its operations or financial statements.

3.02.03 Annual Improvements to PFRS Accounting Standards – Volume 11

In July 2024, the IASB published 'Annual Improvements to PFRS Accounting Standards – Volume 11'. A summary of improvements is set out below:

- PFRS 1 'First-time Adoption of PFRS Financial Reporting Standards' – Hedge accounting by a first-time adopter
- PFRS 7 'Financial Instruments: Disclosures' – Gain or loss on derecognition
- PFRS 7 'Financial Instruments: Disclosures' Implementation Guidance – Disclosure of differences between the fair value and the transaction price and disclosures on credit risk
- PFRS 9 'Financial Instruments' – Transaction price and lessee derecognition of lease liabilities
- PFRS 10 'Consolidated Financial Statements' – Determination of a 'de facto agent'
- PAS 7 'Statement of Cash Flows' – Cost method

The amendments will be effective for annual reporting periods beginning on or after January 1, 2026. Early application is permitted but will need to be disclosed. The Association does not expect these amendments to have a material impact on its operations or financial statements.



3.02.04 Amendments to the Classification and Measurement of Financial Instruments (Amendments to PFRS 9 and 7)

On May 30, 2024, the IASB issued targeted amendments to PFRS 9 and PFRS 7 to respond to recent questions arising in practice, and to include new requirements not only for financial institutions but also for corporate entities. These amendments:

- clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
- clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
- add new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and
- update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

The amendments will be effective for annual reporting periods beginning on or after January 1, 2026. Early adoption is permitted but will need to be disclosed. The Association does not expect these amendments to have a material impact on its operations or financial statements.

3.02.05 PFRS 18 'Presentation and Disclosure in Financial Statements'

PFRS 18 will replace PAS 1, *Presentation of Financial Statements*, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though PFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the statement of financial performance and providing management-defined performance measures within the financial statements.

Management is currently assessing the detailed implications of applying the new standard on the Association's financial statements.

The Association will apply the new standard from its mandatory effective date of January 1, 2027. Retrospective application is required, and so the comparative information for the financial year ending December 31, 2026 will be restated in accordance with PFRS 18.

3.02.06 PFRS 19 'Subsidiaries without Public Accountability: Disclosures'

Issued in May 2024, PFRS 19 allows for certain eligible subsidiaries of parent entities that report under PFRSs to apply reduced disclosure requirements.

PFRS 19 will become effective for reporting periods beginning on or after January 1, 2027, with early application permitted. The Association does not expect the standard to have a material impact on its operations or financial statements.

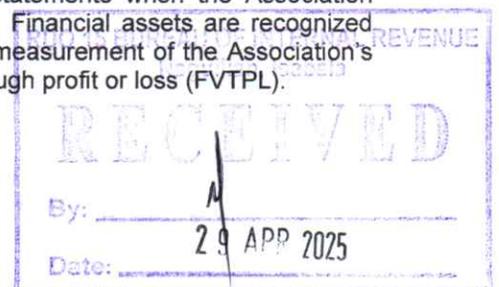
**4. MATERIAL ACCOUNTING POLICIES**

Principal accounting and financial reporting policies applied by the Association in the preparation of its financial statements are enumerated below and are consistently applied to all the years presented, unless otherwise stated.

**4.01 Financial Instruments**

4.01.01 Initial Recognition and Measurement

Financial assets are recognized in the Association's financial statements when the Association becomes a party to the contractual provisions of the instrument. Financial assets are recognized initially at fair value. Transaction costs are included in the initial measurement of the Association's financial assets, except for investments classified at fair value through profit or loss (FVTPL).



4.01.02 Classification

The Association classifies its financial assets, other than hedging instruments, in the following categories: fair value through profit or loss (FVTPL), financial asset fair value through other comprehensive income (FVOCI) and financial asset at amortized cost. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

As of December 31, 2024 and 2023, the Association has not designated any financial assets as at FVTPL.

Financial Assets at Amortized Cost

Financial assets at amortized cost are quoted non-derivative financial asset with fixed and determinable payment and fixed maturities for which Association's management has the positive intention and ability to hold maturity.

A financial asset shall be measured at amortized cost if both of the following conditions are met:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
- 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 impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process.

As of December 31, 2024 and 2023, the Association's cash in bank is classified under this category.

In the statement of cash flows, cash and cash equivalents include cash in bank.

Cash is valued at face value. If a bank holding the funds of the Association is in bankruptcy or financial difficulty, cash should be written down to estimated realizable value if the amount recoverable is estimated to be lower than the face amount.

The Association recognizes each item of cash as a current asset when the cash is not restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

Financial assets at FVOCI

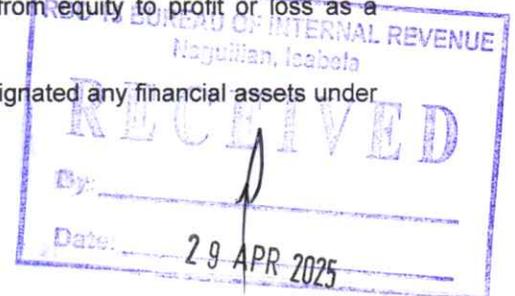
Financial assets at FVOCI include debt and equity securities.

Debt Instruments at FVOCI

For debt instruments that are not designated at FVPL under the fair value option, the financial assets are measured at FVOCI if both of the following conditions are met: (1) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and (2) 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, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment gains or 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.

As of December 31, 2024 and 2023, the Association has not designated any financial assets under this category.



Equity Instruments at FVOCI

For equity instruments that are not held for trading, the Association may irrevocably designate, at initial recognition, a financial asset to be measured at FVOCI when it meets the definition of equity instrument under PAS 32, *Financial Instruments: Presentation*. This option is available and made on an instrument-by-instrument basis.

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. All other 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, instead, these are transferred directly to retained earnings. Equity securities at FVOCI are not subject to impairment assessment.

As of December 31, 2024 and 2023, equity instruments at FVOCI amounting to ₱5,000,000, as disclosed in Note 10.

4.01.03 Offsetting Financial Instruments

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

4.01.04 Impairment of Financial Assets

The Association recognizes an allowance for ECL for all debt instruments not held at FVTPL. 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, discounted at an approximation to the asset's original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For other 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. The Association also considers reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

4.01.05 Derecognition

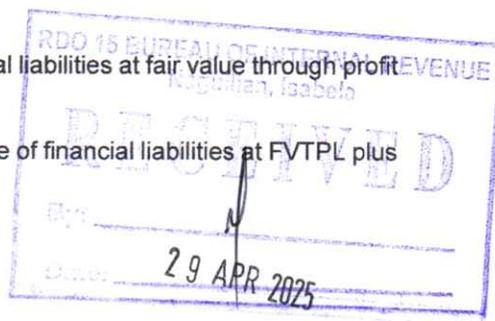
The Association derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Association neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Association recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Association retains substantially all the risks and rewards of ownership of a transferred financial asset, the Association continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

**4.02 Financial Liabilities**

4.02.01 Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss and financial liabilities at amortized cost.

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



The Association's financial liabilities at amortized cost include accounts payables.

#### 4.02.02 Subsequent Measurement

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

- Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in PAS 39 are satisfied.

As of December 31, 2024 and 2023, the Association has not designated any financial liability as at FVTPL.

- Financial liabilities at amortized cost

After initial recognition, financial liabilities at amortized cost are subsequently measured at amortized cost using the EIR method. Gains and losses are recognised in statement of comprehensive income when the liabilities are derecognised as well as through the EIR amortization process.

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

#### 4.02.03 Derecognition

The Association derecognizes financial liabilities when, and only when, the Association's obligations are discharged, cancelled or 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 the derecognition of the original liability and the recognition of a new liability.

The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

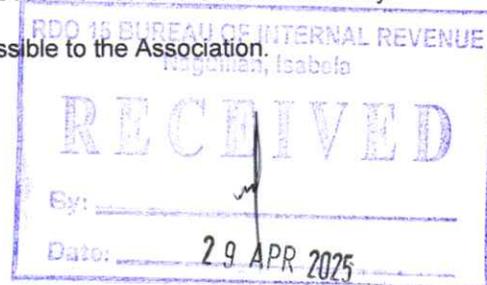
#### **4.03 Fair Value Measurement**

The Association measures financial instruments at fair value at each reporting date.

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

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

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



The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Association uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising 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:

Fair Value Hierarchy

The Association uses the following hierarchy as guide for determining fair value of financial instruments:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchange;
- 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 (observable inputs). This level includes equity investment (if any,) and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available.

As of December 31, 2024 and 2023, there were no transfers between Level 1 and Level 2 fair value measurements.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Association determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

**4.04 Insurance Contracts**

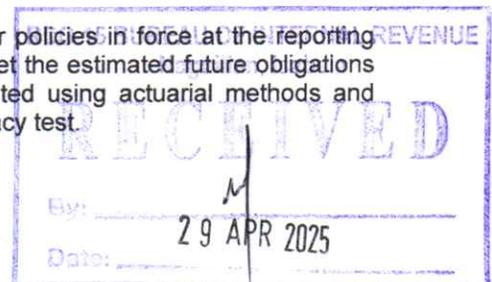
Insurance contracts are defined as those contracts under which the Association accepts significant insurance risk from another party (the members) by agreeing to compensate the members if a specified uncertain future event (the insured event) adversely affects the member.

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

**4.05 Insurance Contract Liabilities**

Life insurance contract liabilities are recognized when the contracts are entered into and the premiums are recognized.

Legal policy reserve represents the accumulated total liability for policies in force at the reporting date. Such reserves are established at amounts adequate to meet the estimated future obligations of all life insurance policies in force. The reserves are calculated using actuarial methods and assumptions as approved by the IC, subject to the liability adequacy test.



Insurance benefit and claims are recorded when incurred. These are recorded when notices of claims have been received or when policies reach maturity. Unpaid claims, including those incurred but not reported (IBNR) claims, are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date. These costs pertain to estimates of the Association's obligations to the members where the Association has not yet received notification on. Delays can be experienced in the notification and settlement of claims; therefore, the ultimate cost could not be known with certainty at the reporting date.

The Association develops estimates for IBNR using an actuarial process that is centrally controlled. The actuarial models consider factors such as time from the date of service to claim receipt and claim backlogs. Each period, the Association re-examines previously established provisions for claims based on actual claim submissions and other changes in facts and circumstances.

4.05.01 Liability Adequacy Test

At each reporting date, a liability adequacy test is performed for the insurance contract liabilities. In performing this test, current best estimates of future cash flows and claims handling and administration expenses, as well as investment income from the asset backing such liabilities are used. Any deficiency is immediately charged against current operations.

Long-term insurance contracts are measured based on assumptions set out at the inception of the contract. When the liability adequacy test requires the adoption of new best estimates assumptions, such assumptions (without margins for adverse deviation) are used for the subsequent measurement of these liabilities.

Liabilities for future policy benefits on in-force policies have been computed based on methods and assumptions that are in accordance with generally accepted actuarial principles. Changes in the balance of legal policy reserves at each reporting date are taken to profit or loss.

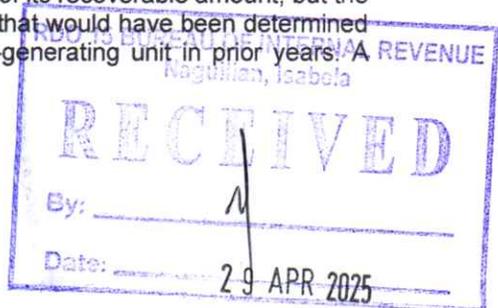
**4.06 Impairment of Non-Financial Assets other than Inventories**

At each reporting date, the Association assesses whether there is any indication that any non-financial assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of these assets is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Association estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 which the estimates of future cash flows have not been adjusted. 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 the costs of disposal.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized as an expense.

Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. When an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income.



#### 4.07 Provisions and Contingencies

##### 4.07.01 Provisions

Provisions are recognized when the Association has a present obligation, whether legal or constructive, as a result of a past event, it is probable that the Association will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the Association expects some or all of a provision to be reimbursed, the reimbursement is recognized as a asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

The Association charges against a provision only those expenditures for which the provision was originally recognized. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

##### 4.07.02 Contingent Liabilities and Assets

Contingent liabilities and assets are not recognized because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Association.

Contingent liabilities are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are disclosed only when an inflow of economic benefits is probable.

#### 4.08 Fund Balance

##### Members' contribution

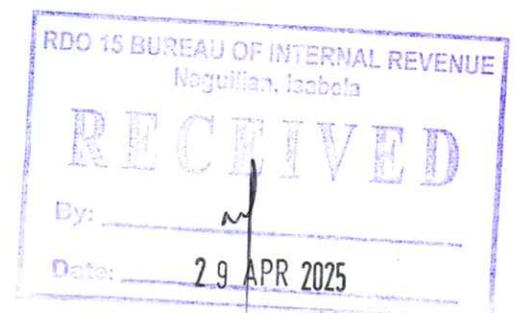
Members' contribution represents the initial contribution received by the Association from the members.

##### Accumulated net loss

Accumulated net loss pertains to the cumulative results of operations.

##### Funds Assigned for Incremental Benefit for Individual Equity Value

Funds assigned for incremental benefit for individual equity value refers to a portion of the net surplus set aside by the MBA as additional benefits to its members computed proportionately on their Individual Equity Value.



#### 4.09 Revenue Recognition

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

- Insurance premiums are recognized as revenue when they become due from members.
- Interest income on cash and cash equivalents are recognized as they accrue based on the effective interest rate method.
- Other income is recognized when earned.

#### 4.10 Cost and Expense Recognition

Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distribution to equity participants.

Cost and expenses are generally recognized in profit or loss in the following manner:

- On the basis of a direct association between 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 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.

#### 4.11 Employee Benefits

##### 4.11.01 Short-term Benefits

The Association recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Said benefits are measured at the undiscounted amount expected to be paid in exchange for services rendered. Short-term benefits given by the Association to its employees include salaries and wages, social security contributions, short-term compensated balances and bonuses, non-monetary benefits and other short-term benefits.

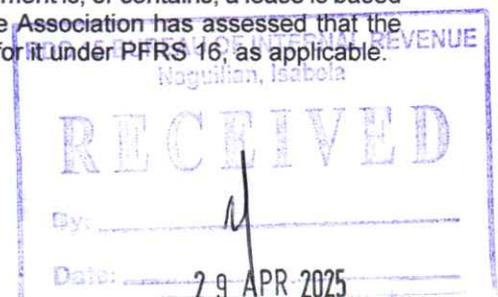
##### 4.11.02 Post-employment Benefits

The Association does not have an existing retirement plan. However, it is subject to the minimum retirement benefit under the Republic Act (RA) 7641, "The Retirement Pay Law," which provides for retirement pay to qualified employees in the absence of any retirement plan. RA 7641 requires that private employers should provide minimum retirement benefits to employees who have reached the age of 60 with at least five years of service to the Association.

As of December 31, 2024 and 2023, the Association has not established a retirement fund for its regular employees and no amount of retirement benefit obligation has been accrued since no employees have served the Association for more than five (5) years, hence no employees are qualified under R.A. 7641.

#### 4.12 Leases

When the Association enters into an arrangement, comprising a transaction or a series of related transactions, that does not take the legal form of a lease but conveys the right to use an asset or is dependent on the use of specific asset or assets, the Association assesses whether the arrangement is, or contains, a lease. The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement. In such cases, when the Association has assessed that the arrangement is, or contains, a lease, the Association accounts for it under PFRS 16, as applicable.



4.12.01 The Association as Lessee

The Association recognizes a lease liability and a right-of-use asset in the statement of financial position for its leases where the Association is the lessee. The Association recognizes depreciation expense from its right-of-use asset and an interest expense from the unwinding of the lease liability.

For the years ended December 31, 2024 and 2023, the Association has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

**4.13 Borrowing Costs**

Borrowing costs are interest and other costs that the Association incurs in connection with the borrowing of funds. Borrowing costs include interest expense calculated using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period in which they occur.

**4.14 Related Parties and Related Party Transactions**

4.14.01 Related Party Relationship

Related party relationship exists when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel, Trustees, or its stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

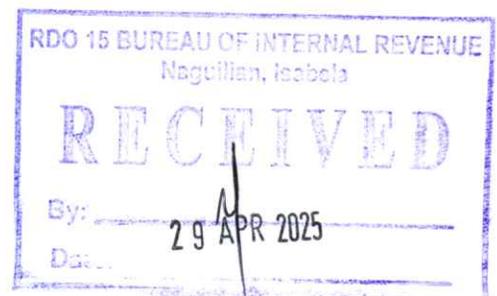
The key management personnel of the Association, post-employment benefit plans for the benefit of the Association's employees, and close members of the family of any individuals owning directly or indirectly a significant voting power of the Association that gives them significant influence in the financial and operating policy decisions of the Association are also considered to be related parties.

4.14.02 Related Party Transactions

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. An entity is related to the Association when it directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with the Association. Transactions between related parties are accounted for at arm's length prices or on terms similarly offered to non-related entities in an economically comparable market.

**4.15 Income Taxes**

The Association is a non-stock, non-profit organization duly organized for mutual aid as contemplated under Section 30(C) of the Tax Code of 1997. As such, it is exempt from the payment of income tax on income received by it as such organization, including the premium income and interest income from loans extended to its members.



Current tax is determined in accordance with is the amount reported on the Association's income tax return for the period in conformity with tax laws or regulations. Deferred tax is income tax payable (recoverable) in respect of the taxable profit (tax loss) for future reporting periods as a result of past transactions or events. The past transactions or events are those that have not yet been included in the Association's income tax return although they have been included when measuring profit or loss in conformity with PFRSs or have been included in the Association's income tax return although they have been not yet been included when measuring profit or loss in conformity with PFRSs.

The Association recognizes a deferred tax asset or liability for tax recoverable or payable in future periods as a result of past transactions or events. Such tax arises from the difference between the amounts recognized for the Association's assets and liabilities in the statement of financial position and the recognition of those assets and liabilities by the tax authorities, and the carry-forward of currently unused tax losses and tax credits. In most cases, those differences between the amounts in the statement of financial position and the amounts recognized by the tax authorities are accompanied by corresponding differences between profit or loss as measured by PFRSs and taxable profit or loss. If the Association expects to recover the carrying amount of an asset or settle the carrying amount of a liability without affecting taxable profit, no deferred tax arises in respect of the asset or liability.

The Association measures its deferred tax liabilities (assets) using the tax rates and laws that have been enacted or substantively enacted by the reporting date. When different tax rates apply to different levels of taxable profit, the Association measures deferred tax expense (income) and related deferred tax liabilities (assets) using the average enacted or substantively enacted rates that it expects to be applicable to the taxable profit (tax loss) of the periods in which it expects the deferred tax asset to be realized or the deferred tax liability to be settled.

The Association does not discount deferred tax assets and liabilities.

The carrying amount of a deferred tax asset shall be reviewed at the end of each reporting period. An entity shall reduce the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that recognized deferred tax asset to be utilized. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Carry-forward benefit of unused tax losses (net operating loss carryover or NOLCO) and unused tax credits (excess minimum corporate income tax or MCIT) arising in the current period which can be applied against the entity's future taxable income and future tax liability, respectively, should be recognized as an asset to the extent that it is probable that sufficient taxable profit will allow the unused tax losses or unused tax credits be utilized.

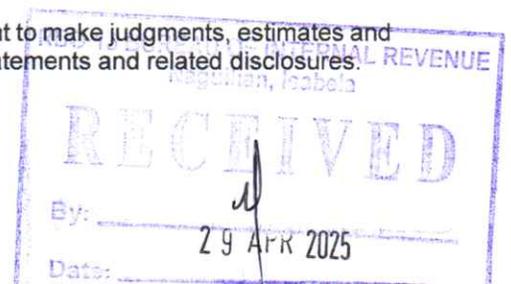
#### 4.16 Events After the End of the Reporting Date

The Association identifies subsequent events as events that occurred after the reporting date but before the date of the financial statements were authorized for issue. Any subsequent events that provide additional information about the Association's position at the reporting date, adjusting events, are reflected in the financial statements, while subsequent events that do not require adjustments, non-adjusting events, are disclosed in the notes to financial statements.

### 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Principal accounting and financial reporting policies applied by the Association in the preparation of its financial statements are enumerated below and are consistently applied to all the years presented, unless otherwise stated.

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements and related disclosures.



The estimates and assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from such estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis to ensure they incorporate all relevant information available at the reporting date. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### **5.01 Critical Accounting Estimates**

The following critical judgments, apart from those involving estimations, that management has made in the process of applying the entity's accounting policies and that have not the most significant effect on the amounts recognized in the financial statements:

##### 5.01.01 Impairment of Non-Financial Assets except Inventories

An assessment is made at reporting date to determine whether there is any indication of impairment of any non-financial assets except inventories or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of the 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. Recoverable amounts are estimated for individual assets, or, if it is not possible, for the cash-generating unit to which the asset belongs.

#### **5.02 Critical Accounting Judgments**

##### 5.02.01 Classification of Financial Assets

The Association classifies financial assets on the basis of the Association's business model for managing the financial assets, unless option to designate a financial asset at FVTPL is applied, following the requirements of Philippine Financial Reporting Standard (PFRS) 9, Financial Instruments. The Association assesses the business model within which the assets are held and whether the contractual term of assets represents solely payments of principal and interest (SPPI) on the principal amount outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The judgments exercised in the classification affect the measurement of financial assets.

## **6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

### **6.01 General Risk Management Principles**

The Association is exposed to a variety of financial risks in relation to financial instruments. The main types of risks are credit risk, liquidity risk and market risk.

The Association's risk management is coordinated with its BOT and focuses on actively securing the Association's short-to-medium term cash flows by minimizing the exposure to financial markets. Long-term financial investments are managed to generate lasting returns.

The Association does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Association is exposed to are described in the succeeding notes.



The Association is exposed to market risk, credit risk and liquidity risk. The Association's management oversees the management of these risks. The management ensures that the Association's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Association's policies and risk objectives. The Board of Trustees reviews and agrees policies for managing each of these risks.

### 6.02 Credit Risk

Credit risk is the risk of financial loss to the Association if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk is managed by the Association subject to the established policy, procedures and controls relating to customer credit risk management. Outstanding customer receivables are regularly monitored.

With respect to credit risk arising from the financial assets of the Association. The Association's exposure arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

Below are the credit qualities of the Association's financial assets as of December 31, 2024 and 2023:

	Neither past due nor impaired	Past due but not impaired	Past due and impaired	Total
<b>2024</b>				
Cash in bank	3,379,164	–	–	3,379,164
Financial asset at fair value through OCI (FVOCI)	5,000,000	–	–	5,000,000
	<b>8,379,164</b>	<b>–</b>	<b>–</b>	<b>8,379,164</b>
<b>2023</b>				
Cash in bank	100,000	–	–	100,000
Financial asset at fair value through OCI (FVOCI)	5,000,000	–	–	5,000,000
	<b>5,100,000</b>	<b>–</b>	<b>–</b>	<b>5,100,000</b>

Neither past due nor impaired accounts are accounts considered to be high value. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits.

Not past due but impaired accounts are active accounts with minimal to regular instances of payment default, due to ordinary/common collection issues.

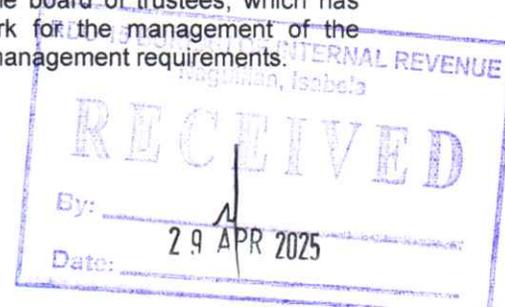
Past due but not impaired are accounts typically not impaired as the counter parties generally respond to credit actions and update their payments accordingly.

Past due and impaired are accounts which have a probability of impairment based on historical trend. These accounts show propensity to default in payment despite regular follow-up and extended payment terms.

### 6.03 Liquidity Risk

The Association monitors its risk of a shortage of funds using a liquidity planning tool.

Ultimate responsibility for liquidity risk management rests with the board of trustees, which has established an appropriate liquidity risk management framework for the management of the Association's short-, medium- and long-term funding and liquidity management requirements.



The Association manages liquidity by setting up trust funds, separate and distinct from its paid-up capital established with trustees under trust agreement approved by the Insurance Commission (IC), to pay for the plan holders' benefits as provided in insurance contract. The Association also specifies the minimum portion of funds to meet the portfolio mix requirement imposed by the IC with an objective to meet the short-term and long-term financial commitments.

The following are the contractual maturities of financial liabilities:

2024	On demand	Due within 1 year	Due beyond 1 year but within 5 years	Due beyond 5 years	Total
Accounts payable	-	-	-	-	-

2023	On demand	Due within 1 year	Due beyond 1 year but within 5 years	Due beyond 5 years	Total
Accounts payable	797,682	-	-	-	797,682

#### 6.04 Market Risk

The Association is exposed to market risk through its use of financial instruments, specifically interest rate risk.

Interest rate risk is the risk to the earning or capital resulting from adverse movements in the interest rates. The Association closely monitors the movements of interest rates in the market and reviews its asset and liability structure to ensure that exposures to fluctuations in interest rates are kept within acceptable limits.

The Association follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. The Association's exposure to interest rate risk is considered negligible since its financial assets and financial liabilities have fixed interest rates.

### 7. CAPITAL MANAGEMENT

The BOT has overall responsibility for monitoring of fund balance in proportion to risks. The Association manages its fund structure and makes adjustments to it, in the light of changes in economic conditions.

The Association defines capital as total fund balance. It monitors capital on the basis of debt-to-fund balance ratio, which is calculated as total debt divided by fund balance.

The Association's debt to equity ratio at the reporting dates are as follows:

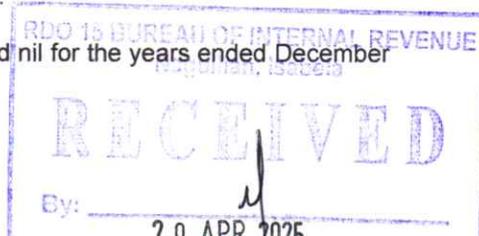
	2024	2023
Total liabilities	₱ 5,576,238	₱ 797,682
Total fund balance	2,841,400	4,302,318
Debt to equity ratio	1.96:1	0.19:1

### 8. CASH IN BANK

As of December 31, 2024 and 2023, the Association's cash in bank amounted to ₱3,379,164 and ₱100,000, respectively.

Cash in banks earns interest at the prevailing bank deposits rates.

Interest income earned from cash in banks amounted to ₱150 and nil for the years ended December 31, 2024 and 2023, respectively.



There was no restriction imposed upon cash in bank and on hand by either management, members or outside parties.

**9. PREPAYMENTS AND OTHER CURRENT ASSETS**

As of December 31, 2024 and 2023, the Association's prepayments and other current assets refers to unused supplies amounted to ₱6,984 and nil, respectively.

**10. FINANCIAL ASSET AT FAIR VALUE THROUGH OCI (FVOCI)**

The Association's investment amounted to ₱5,000,000 as of December 31, 2024 and 2023.

Dividend earned on financial asset at fair value through OCI (FVOCI) amounted to nil for the years ended December 31, 2024 and 2023.

**11. PROPERTY AND EQUIPMENT – net**

Association's property and equipment represents tangible, long-term assets used by a business for operations but not part of the building structure. This equipment refers to laptop purchased by the Association for the use of its employees.

Movement of this account is as follows:

	2024	2023
<b>Cost:</b>		
Balance, January 1	P –	P –
Additions	33,500	–
	<u>33,500</u>	<u>–</u>
<b>Accumulated Depreciation:</b>		
Balance, January 1	–	–
Depreciation (Note 23)	(2,010)	–
	<u>(2,010)</u>	<u>–</u>
	<u>P 31,490</u>	<u>P –</u>

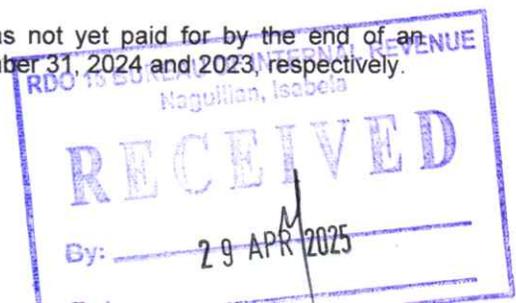
Depreciation expenses incurred amounted to ₱2,010 and nil for the years ended December 31, 2024 and 2023, respectively.

**12. ACCOUNTS PAYABLE**

Association's accounts payable pertains to various short-term obligations. As of December 31, 2024 and 2023, accounts payable amounted to nil and ₱797,682, respectively.

**13. OTHER ACCRUED EXPENSES**

Accrued expenses are expenses that has incurred but has not yet paid for by the end of an accounting period amounting to ₱75,000 and nil as of December 31, 2024 and 2023, respectively.



**14. LEGAL POLICY RESERVES**

Legal policy reserves represent the accumulated total liability for policies in force as at reporting date.

IC issued its Circular Letter 2016-66 which provides that the reserves for traditional life insurance policies shall be valued using the gross premium valuation (GPV) method effective January 1, 2017.

However, following recent developments in the implementation of the GPV method by mutual benefit associations, IC issued Advisory 6-2018 on April 17, 2018 which defers the application of the GPV method for the valuation of traditional life insurance policies by mutual benefit associations until such time that IC issues a new financial reporting framework specifically for mutual benefit associations. Consequently, the Association continues to determine the reserve for traditional life insurance policies under the net premium valuation (NPV) method.

Legal policy reserves as of December 31, 2024 and 2023 are as follows:

	2024	2023
Reserves for basic life insurance	P 860,044	P -
Reserves for member's equity value	3,133,463	-
Claims reserves for basic life insurance	1,507,731	-
	P 5,501,238	P -

**15. FUNDS ASSIGNED FOR GUARANTY FUND**

The movement of this account is as follows:

	2024	2023
Beginning balance	P 5,000,000	P 5,000,000
Additional fund	313,346	-
	P 5,313,346	P 5,000,000

The Guaranty Fund comprising 5% of the contribution shall ensure the timely and properly payment of annual contribution to the Guaranty Fund as mandated by the Insurance Commission. If the Guaranty Fund has been fully complied with as required by law, the allocation for the guaranty fund shall be utilized to increase the member's benefits or reduce the contribution or may be lumped under the General Expense Fund.

This represents portion of the fund balance that is restricted as guaranty fund.

**16. FUNDS ASSIGNED FOR INCREMENTAL BENEFIT FOR INDIVIDUAL EQUITY VALUE**

This account refers to a portion of the net surplus set aside by the MBA as additional benefits to its members computed proportionately on their Individual Equity Value amounting to P68,410 and nil, as of December 31, 2024 and 2023, respectively.



**17. ACCUMULATED NET LOSSES**

The movement of this account is as follows:

	2024	2023
Beginning balance	P (697,682)	P (353,893)
Loss for the year	(1,842,674)	(343,789)
	P (2,540,356)	P (697,682)

**18. RELATED PARTY**

**18.01 Related party relationships**

Related party relationship exists when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among the reporting entities, which are under common control or common significant influence with the reporting enterprise, or between, and/or among the reporting entities and its key management personnel, trustees, or its shareholders.

In 2024, related party transactions were entered into with Providers Multi-purpose Cooperative amounting to P1,809,169. These transactions are related to collection fees, marketing, utilities, rental and professional fees. These expenses incurred are paid monthly by the Association to Providers Multi-purpose Cooperative.

In 2023, there are no related party transactions entered into by the Association.

**18.02 Key Management Compensation**

The Association considers as key management personnel the trustees and those persons having authority and responsibility for planning, directing and controlling the activities of the Association, directly or indirectly.

The remuneration of the members of key management personnel of the Association amounted to P82,295 and nil in 2024 and 2023, respectively, recognized in statements of comprehensive loss as part of the general and administrative expenses.

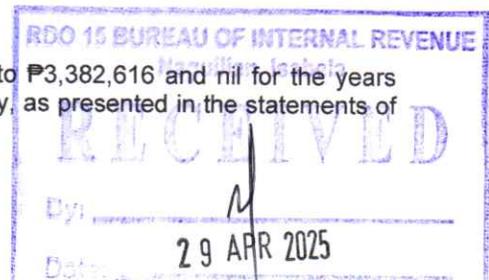
**19. RETIREMENT BENEFIT OBLIGATION**

The Association does not have an existing retirement plan. However, it is subject to the minimum retirement benefit under the Republic Act (RA) 7641, "The Retirement Pay Law," which provides for retirement pay to qualified employees in the absence of any retirement plan. RA 7641 requires that private employers should provide minimum retirement benefits to employees who have reached the age of 60 with at least five years of service to the Association.

As of December 31, 2024 and 2023, the Association has not established a retirement fund for its regular employees and no amount of retirement benefit obligation has been accrued since no employees have served the Association for more than five (5) years, hence no employees are qualified under R.A. 7641.

**20. UNDERWRITING INCOME**

The Association's underwriting income for the year amounted to P3,382,616 and nil for the years ended December 31, 2024 and December 31, 2023, respectively, as presented in the statements of comprehensive loss.



**21. UNDERWRITING EXPENSE**

The Association's underwriting expense amounted to ₱2,426,776 and nil for the years ended December 31, 2024 and 2023, respectively, as presented in the statement of comprehensive loss. These pertain to benefit expenses and increase in legal policy reserves.

This account composed of the following

	2024	2023
Reserves for basic life insurance	₱ 860,044	₱ -
Claims reserves for basic life insurance	1,507,731	-
Benefit expense	59,001	-
	₱ 2,426,776	₱ -

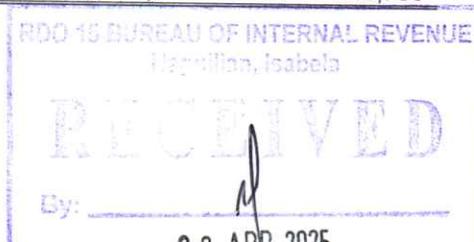
**22. OTHER INCOME**

The Association's other income refers the interest income from cash in bank amounted to ₱150 and nil for the years ended December 31, 2024 and 2023, respectively, as presented in the statements of comprehensive loss.

**23. GENERAL AND ADMINISTRATIVE EXPENSES**

Breakdown of general and administrative expenses is as follows:

	2024	2023
Collection fees	₱ 1,021,500	₱ -
Technical and professional fees	453,849	-
Taxes, fees, and charges	350,216	2,105
Rentals	240,000	-
Professional and technical development	229,448	-
Marketing expense	204,300	-
Benefit expense on individual equity value	68,410	-
Meeting and conferences	62,747	-
Power, light, and water	60,000	-
Personnel cost	58,827	-
Representation allowance and transportation allowance	29,214	-
Other members' benefit expense	4,037	-
Communication allowance	3,886	-
Gas, oil, and lubricants	3,000	-
Depreciation (Note 11)	2,010	-
Travel and transportation	1,000	-
Office supplies	575	-
Repairs and maintenance	500	-
Bank charge	45	-
Research and development	-	198,015
Licensing fee	-	116,150
Filing fee	-	17,675
Office supplies	-	4,500
Fines and penalties	-	2,000
Miscellaneous expenses	5,100	3,344
	₱ 2,798,664	₱ 343,789



The Association has elected not to recognize a lease liability for short term leases (lease of expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. The expense relating to payments not included in the measurement amounted to ₱240,000 and nil for the years ended December 31, 2024 and 2023, respectively.

## 24. INCOME TAXES

### 24.01 Income Tax Recognized in Profit or Loss

The Association is a non-stock, non-profit organization duly organized for mutual aid as contemplated under Section 30(C) of the Tax Code of 1997. As such, it is exempt from the payment of income tax on income received by it as such organization, including the premium income and interest income from loans extended to its members. Application of exemption is on-going as of December 31, 2024 and 2023.

Income tax expense amounted to nil for the years ended December 31, 2024 and 2023.

Components of income tax expense are as follows:

	2024		2023	
Income tax expense	₱	-	₱	-

A numerical reconciliation between tax expense and the product of accounting loss multiplied by the tax rate in 2024 and 2023 follows:

	2024		2023	
Loss before tax	₱	(1,842,674)	₱	(343,789)
Tax expense at 20%		(368,535)		-
Tax effect of:				
Increase in legal policy reserves		473,555		-
Applied net operating loss carry-over		(118,672)		-
Non-deductible expenses		13,682		-
Interest income subject to final tax		(30)		-
	₱	-	₱	-

### 24.02 Minimum Corporate Income Tax (MCIT)

Section 27(E) of the National Internal Revenue Code of 1997 provides that an MCIT of two percent (2%) of the gross income as of the end of the taxable year is imposed on a taxable corporation beginning on the fourth taxable year immediately following the year in which such corporation commenced its business operation, when the MCIT is greater than RCIT for the taxable year. The Association was incorporated in June 2022 thus, the Association is not yet subject to MCIT.

### 24.03 Net-Operating Loss Carry Over

Under Section 34(D)(3) of the National Internal Revenue Code of 1997, the net operating loss of the business or enterprise for any taxable year immediately preceding the current taxable year which had not been previously offset as deduction from gross income shall be carried over as a deduction from gross income for the next three (3) consecutive taxable years immediately following the year of such loss.



Details of the Association's NOLCO are as follows:

Year Incurred	Amount	Expired	Applied in Current Year	Balance	Date of Expiry
2023	341,789	–	239,469	102,320	2026
2022	353,893	–	353,893	–	2025
<b>Total</b>	<b>695,682</b>	<b>–</b>	<b>593,362</b>	<b>102,320</b>	

#### 24.04 Unrecognized Deferred Tax Assets

The Association did not recognize deferred tax assets (DTA) arising from temporary differences since it does not expect to have sufficient taxable profit against which the deferred tax assets can be utilized. As of December 31, 2024, the Association has unrecognized deferred tax assets amounting to ₱473,555, pertaining to provision for legal policy reserves.

Also, the Association has unrecognized deferred tax assets (DTA) on Net Operating Loss Carry Over (NOLCO) as of December 31, 2024 and 2023 amounting to ₱20,464 and ₱139,136, respectively.

#### 24.05 Revenue Regulations (RR) No. 34-2020 – Related Party Transaction (RPT) Form and Transfer Pricing Documentation

The Bureau of Internal Revenue, in its Revenue Regulation No. 34-2020, requires taxpayers to submit BIR Form No. 1709 (RPT Form) to allow the BIR to verify that taxpayers are reporting their related party transactions at arm's length prices. It is also intended to improve and strengthen the Bureau's transfer pricing risk assessment and audit functions. Most importantly, the information that will be gathered from the RPT Form and its attachments will be used by the BIR during the transfer pricing risk assessment to determine whether or not to conduct a thorough review/audit of a particular entity or transaction.

Under the said RR, the following are required to file and submit the RPT Form, together with the Annual Income Tax Return (AITR):

1. Large taxpayers;
2. Taxpayers enjoying tax incentives, i.e. Board of Investments (BOI)-registered and economic zone enterprises, those enjoying Income Tax Holiday (ITH) or subject to preferential income tax rate;
3. Taxpayers reporting net operating losses for the current taxable year and the immediately preceding two (2) consecutive taxable years; and
4. A related party, as defined under Section 3 of RR No. 19-2020, which has transactions with (1), (2) or (3) above. For this purpose, key management personnel (KMP), as defined under Section 3(7) of RR No. 19-2020, shall no longer be required to file and submit the RPT Form, nor shall there be any requirement to report any transaction between KMP and the reporting entity/parent company of the latter in the RPT Form.



In addition, the preparation and submission of Transfer Pricing Documentation (TPD) under RR No. 02-2013, otherwise known as "Transfer Pricing Guidelines" and all other relevant issuances, shall be mandatory for taxpayers enumerated above who meet the following materiality thresholds:

- a. Annual gross sales/revenue for the subject taxable period exceeds ₱150 million and the total amount of related party transactions with foreign and domestic related parties exceeds ₱90 million; or
- b. Related party transactions meeting the following materiality threshold:
  - i. If it involves sale of tangible goods in the aggregate amount exceeding ₱60 million within the taxable year.
  - ii. If it involves service transaction, payment of interest, utilization of intangible goods or other related party transaction in the aggregate amount exceeding ₱15 million within the taxable year.
  - iii. If TPD was required to be prepared during the immediately preceding taxable period for exceeding either (a) or (b) above.

As it does not belong to taxpayers who are required to file and submit the RPT Form under Section 2 of RR 34-2020, the Association is not covered by the requirements and procedures for related party transactions under the said RR.

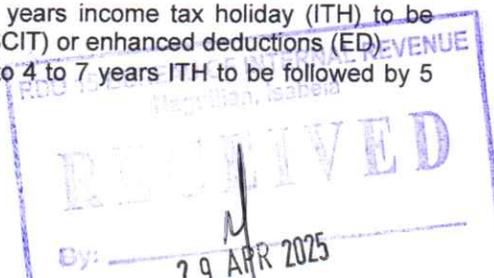
#### **24.06 Republic Act No. 11534, otherwise known as the "Corporate Recovery and Tax Incentives for Enterprises (CREATE)" Act**

On February 03, 2021, the final provisions of Senate Bill No. 1357 and House Bill No. 4157 or the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Bill, which seeks to reform corporate income taxes and incentives in the country, had been ratified by the Senate and the House of Representatives of the Philippines.

Under the proposed law, effective July 1, 2020, the corporate income tax will be reduced from the current 30% to 20% for domestic corporations with total assets not exceeding P100 million, excluding land, and total net taxable income of not more than P5 million. The corporate income tax of all other corporations (domestic and resident foreign), meanwhile, will be lowered to 25%. The bill would also lower the minimum corporate income tax (MCIT) from 2% to 1% effective July 2020 until June 30, 2023.

Other key provisions of the CREATE bill include:

- Effective January 1, 2021, income tax rate for non-resident foreign corporation is reduced from 30% to 25%.
- Preferential income tax rate for proprietary educational institutions and hospitals which are nonprofit is reduced from 10% to 1% effective July 1, 2020 to June 30, 2023.
- Effective January 1, 2022, regional operating headquarters (ROHQ) currently enjoying 10% preferential income tax rate shall be subject to RCIT.
- Imposition of improperly accumulated earnings tax (IAET) is repealed.
- Foreign-sourced dividends received by domestic corporations are exempt from income tax subject to the following conditions:
  - The funds from such dividends actually received or remitted into the Philippines are reinvested in the business operations of the domestic corporation in the Philippines within the next taxable year from the time the foreign-sourced dividends were received;
  - Shall be limited to funding the working capital requirements, capital expenditures, dividend payments, investment in domestic subsidiaries, and infrastructure project; and
  - The domestic corporation holds directly at least 20% of the outstanding shares of the foreign corporation and has held the shareholdings for a minimum of 2 years at the time of the dividend distribution.
- Qualified export enterprises shall be entitled to 4 to 7 years income tax holiday (ITH) to be followed by 10 years 5% special corporate income tax (SCIT) or enhanced deductions (ED).
- Qualified domestic market enterprises shall be entitled to 4 to 7 years ITH to be followed by 5 years ED.



- For investments prior to effectivity of CREATE:
  - Registered business enterprises (RBEs) granted only an ITH – can continue with the availment of the ITH for the remaining period of the ITH.
  - RBEs granted an ITH followed 5% GIT or are currently enjoying 5% GIT – allowed to avail of the 5% GIT for 10 years.

The said bill was signed into law on March 26, 2021, except for certain provisions that were vetoed, by the President of the Philippines.

**25. RECLASSIFICATION OF ACCOUNTS**

Certain amounts in the 2023 financial statements and note disclosures have been reclassified to conform to the current year's presentation. Details are as follows:

Old classification	New classification	Notes	Amount
Members' contribution	Funds assigned for guaranty fund	15	5,000,000

Management believes that the above reclassifications resulted to a better presentation of financial statements and did not have any impact on prior year's profit or loss.

**26. PROVISION, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

The Association is not aware of any other pending or threatened litigation, claims or assessments or unasserted claims or assessments to be accrued or disclosed in the financial statements and the Association has not consulted a lawyer concerning litigation, claims or assessments.

**27. FAIR VALUE MEASUREMENT**

Fair values of financial assets and financial liabilities are as follows:

	Method and Assumptions
Cash in bank	Due to short term nature of the instrument, the fair value approximates the carrying amount as of the reporting date.

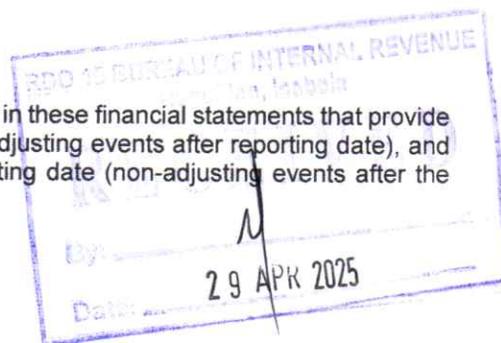
The following table shows the carrying values and estimated fair values of financial assets and financial liabilities recognized as of December 31, 2024 and 2023:

	2024		2023	
	Carrying value	Fair value	Carrying value	Fair value
<b>Financial asset</b>				
Cash in bank	3,379,164	3,379,164	100,000	100,000
<b>Financial liability</b>				
Accounts payable	–	–	797,682	797,682

The Association's financial assets are recorded at their carrying amounts. Due to the short-term nature of the transactions, the fair value of cash in bank and accounts payable approximate their carrying amounts at the statement of financial position date.

**28. EVENTS AFTER THE REPORTING PERIOD**

No events after the end of the reporting date were identified in these financial statements that provide evidence of conditions that existed at the reporting date (adjusting events after reporting date), and that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).



**29. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were authorized and approved for issue by the Board of Trustees on April 14, 2025.

**30. SUPPLEMENTARY INFORMATION UNDER REVENUE REGULATION 15-2010**

Revenue Regulation (RR) No. 21-2002 prescribing additional procedural and/or documentary requirements in connection with the preparation and submission of financial statements accompanying income tax returns was amended under RR 15-2010. The amendment that became effective on December 28, 2010 requires the inclusion in the notes to financial statements, information on taxes, duties and license fees paid or accrued during the year in addition to what is required under the Philippine Financial Reporting Standards and such other standards and/or conventions.

Below are the additional information required by RR No. 15-2010. This information is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

**Taxes, Duties and Licenses Paid or Accrued**

The details of the Association's taxes, duties and licenses fees paid or accrued in 2024 and 2023 are as follows:

**30.01 Value-added Tax**

The National Internal Revenue Code of 1997 provides for the imposition of VAT on sales of goods and services.

30.01.01 Output VAT

No amount of output VAT were paid in 2024 and 2023.

30.01.02 Input VAT

No amount of input VAT were incurred during 2024 and 2023.

**30.02 Other Taxes and Licenses**

This includes all other taxes, local and national including licenses and permits fees lodged under the caption "general and administrative".

The Association paid ₱350,216 and ₱2,105 related to taxes and licenses for the years ended December 31, 2024 and 2023, respectively.

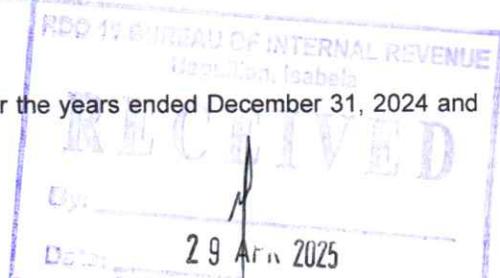
	2024	2023
Business permit and other fees	₱ 6,670	₱ 500
Registration fees	2,375	-
Others	341,171	1,605
	<b>₱ 350,216</b>	<b>₱ 2,105</b>

**30.03 Withholding Taxes**

No amount of withholding taxes were paid in 2024 and 2023.

**30.04 Excise Tax**

The Association has no excise tax accrued and paid for the years ended December 31, 2024 and 2023.



**30.05 Deficiency Tax Assessments and Tax Cases**

The Association has no pending tax cases under preliminary investigation, litigation and/or prosecution in tax courts or bodies outside the BIR.



**PROVIDERS MUTUAL BENEFIT ASSOCIATION, (PROVIDERS MBAI) INC.  
 SUPPLEMENTARY SCHEDULE OF EXTERNAL AUDITOR FEE-RELATED INFORMATION  
 FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023  
 In Philippine Peso**

	2024	2023
Total audit fees	120,000	80,000
Non-audit service fees:		
Other assurance services	-	-
Tax services	-	-
All other services	-	-
Total non-audit fees	-	-
Total audit fees and non-audit fees	120,000	80,000

**Audit and non-audit fees of other related entities**

	2024	2023
Total audit fees	-	-
Non-audit service fees:		
Other assurance services	-	-
Tax services	-	-
All other services	-	-
Total audit fees and non-audit fees of other related entities	-	-

The amount disclosed excludes out-of-pocket expenses and VAT.

