

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

**FINANCIAL STATEMENTS
DECEMBER 31, 2023
*(With Comparative Figures for 2022)***

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**INDEPENDENT AUDITORS' REPORT
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE
BUREAU OF INTERNAL REVENUE**

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

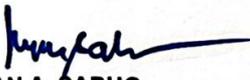
We have examined the financial statements of **PROVIDERS MUTUAL BENEFIT ASSOCIATION, (PROVIDERS MBAI) INC.** for the year ended December 31, 2023, on which we have rendered the attached report dated June 10, 2024.

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

ALAS, OPLAS & CO., CPAs

BOA Registration No. 0190, valid from October 31, 2022, to February 18, 2025
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

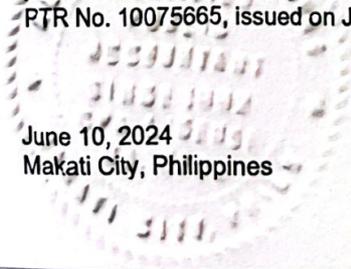
CPA License No. 0111183

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. 10075665, issued on January 2, 2024, Makati City

June 10, 2024
Makati City, Philippines



INDEPENDENT AUDITORS' REPORT

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 statement of financial position as of December 31, 2023, and the related statement of loss, statement of changes in fund balance and statement of cash flow for the year 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, 2023, and its financial performance and its cash flow for the year then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *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.

Other Matter

The comparative amounts as of and for the year ended December 31, 2022 are unaudited. However, we obtained sufficient appropriate audit evidence that the opening balances do not contain material misstatements that can materially affect the statements as of and for the year ended December 31, 2023.

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 Philippine Financial Reporting Standards (PFRSs), 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

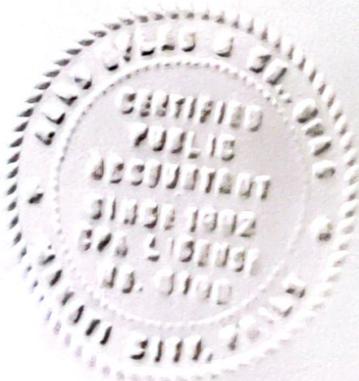
Auditors' Responsibilities for the Audit of the Financial Statements

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 24 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 MBAI) 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 October 31, 2022, to February 18, 2025

BIR A.N. 08-001026-000-2024, issued on January 5, 2024; effective until January 4, 2027

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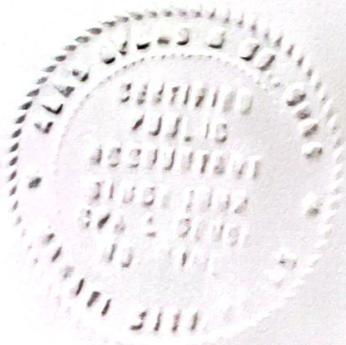
June 10, 2024

Makati City, Philippines

PROVIDERS MUTUAL BENEFIT ASSOCIATION, (PROVIDERS MBAI) INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2023
(With Comparative Figures for 2022)
In Philippine Peso

	Notes	2023	2022
ASSETS			
Cash in bank	8	100,000	5,100,000
Prepayments and other current assets	9	-	9,935
Financial asset at fair value through OCI (FVOCI)	10	5,000,000	-
TOTAL ASSETS		5,100,000	5,109,935
LIABILITIES AND FUND BALANCE			
LIABILITY			
Accounts payable	11	797,682	463,828
FUND BALANCE			
Members' contribution		5,000,000	5,000,000
Accumulated net loss		(697,682)	(353,893)
TOTAL FUND BALANCE		4,302,318	4,646,107
TOTAL LIABILITIES AND FUND BALANCE		5,100,000	5,109,935

See Notes to Financial Statements.



PROVIDERS MUTUAL BENEFIT ASSOCIATION, (PROVIDERS MBAI) INC.
STATEMENT OF COMPREHENSIVE LOSS
FOR THE YEAR ENDED DECEMBER 31, 2023
(With Comparative Figures for Seven-Month Period Ended December 31, 2022)
In Philippine Peso

	Notes	2023	2022
Underwriting income	15	-	-
Underwriting expense	16	-	-
Net underwriting income		-	-
Other income	17	-	-
General and administrative expenses	18	(343,789)	(353,893)
Loss before tax		(343,789)	(353,893)
Income tax expense	19	-	-
NET LOSS		(343,789)	(353,893)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE LOSS		(343,789)	(353,893)

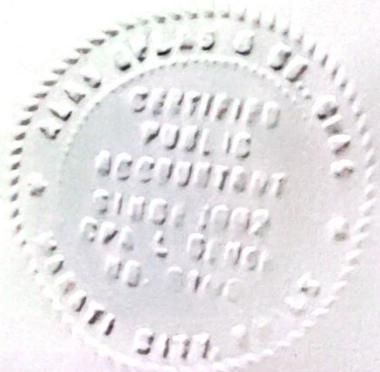
See Notes to Financial Statements.



PROVIDERS MUTUAL BENEFIT ASSOCIATION, (PROVIDERS MBAI) INC.
STATEMENT OF CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2023
(With Comparative Figures for Seven-Month Period Ended December 31, 2022)
In Philippine Peso

	Members' contribution	Accumulated net losses	Total
Balance, December 31, 2021	-	-	-
Additional contribution	5,000,000	-	5,000,000
Net loss	-	(353,893)	(353,893)
Balance, December 31, 2022	5,000,000	(353,893)	4,646,107
Net loss	-	(343,789)	(343,789)
Balance, December 31, 2023	5,000,000	(697,682)	4,302,318

See Notes to Financial Statements.



PROVIDERS MUTUAL BENEFIT ASSOCIATION, (PROVIDERS MBAI) INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023
(With Comparative Figures for Seven-Month Period Ended December 31, 2022)
In Philippine Peso

	Notes	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax /operating cash flows before working capital changes		(343,789)	(353,893)
Increase in prepayments and other current assets	9	9,935	(9,935)
Increase accounts payable	11	333,854	463,828
Net cash generated from operating activities		-	100,000
CASH FLOW FROM INVESTING ACTIVITY			
Acquisition of financial asset at fair value through OCI (FVOCI)	10	(5,000,000)	-
CASH FLOW FROM FINANCING ACTIVITY			
Additional contribution		-	5,000,000
NET INCREASE/(DECREASE) IN CASH		(5,000,000)	5,100,000
CASH AT BEGINNING OF YEAR		5,100,000	-
CASH AT END OF YEAR	8	100,000	5,100,000

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 2, 2022, the Insurance Commission approved the Association's license to operate as microinsurance provider. The Association has not yet commenced its commercial operations as of December 31, 2023.

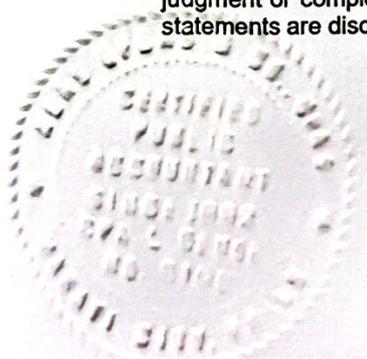
2. BASIS FOR THE PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

2.01 Basis of Preparation

The financial statements of the Association have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, PAS, and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) 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.

2.05 Comparative Information

As indicated in Note 1, the Association was incorporated in June 2, 2022. The amounts presented in the Association's statement of loss, statement of changes in fund balance, statement of cash flows and the related notes for the period ended December 31, 2022 are for seven months only and accordingly, not comparable to the amounts presented for the year ended December 31, 2023.

3. ADOPTION OF NEW AND AMENDED ACCOUNTING STANDARDS

3.01 New and Amended Standards and Interpretations Effective on January 1, 2023

The Association applied for the first-time the following standards and amendments, which are effective for annual periods beginning on or after 1 January 2023, unless otherwise stated.

3.01.01 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

The Insurance Commission has issued CL No. 2024-04, pertaining to the application of PFRS 17, which covers the audited financial statements (AFS) and reportorial requirements prepared and submitted by the regulated companies to the SEC and IC, respectively.

Per Section 3 of the CL, all companies shall apply PFRS 17 to their AFS effective January 1, 2025. However, companies may opt to adopt PFRS 17 in the preparation of their AFS starting January 1, 2023.

As of December 31, 2023, the Association is still assessing the impact of the new standard to its financial statements, pending guidance of the IC regarding implementation of the standard for regular mutual benefit associations. The Association plans to initially apply PFRS 17 on January 1, 2025, its deferred effectivity date.

3.01.02 Amendments to PAS 1 Presentation of Financial Statements and PFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies

The amendments change the requirements in PAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in PAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The amendments have had an impact on the Association's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Association's financial statements.

3.01.03 Amendments to PAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit. Following the amendments to PAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in PAS 12.

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

3.01.04 Amendments to PAS 12 Income Taxes—International Tax Reform—Pillar Two Model Rules

The amendments to PAS 12 have been introduced in response to the OECD's BEPS Pillar Two rules and include:

- A mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules; and
- Disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The mandatory temporary exception – the use of which is required to be disclosed – applies immediately. The remaining disclosure requirements apply for annual reporting periods beginning on or after 1 January 2023, but not for any interim periods ending on or before 31 December 2023.

3.01.05 Amendments to PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates

The amendments to PAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted.

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

3.02 New and Amended Standards Issued but Not Yet Effective

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 Amendments to PAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or Non-current

The amendments to PAS 1 published in January 2020 affect only the presentation of liabilities as current or noncurrent in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2024, with early application permitted. The IASB has aligned the effective date with the 2022 amendments to PAS 1. If an entity applies the 2020 amendments for an earlier period, it is also required to apply the 2022 amendments early.

3.02.02 Amendments to PAS 1 Presentation of Financial Statements—Non-current Liabilities with Covenants

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or noncurrent). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

The amendments are applied retrospectively for annual reporting periods beginning on or after 1 January 2024. Earlier application of the amendments is permitted. If an entity applies the amendments for an earlier period, it is also required to apply the 2020 amendments early.

3.02.03 Amendments to PAS 7 Statement of Cash Flows and PFRS 7 Financial Instruments: Disclosures—Supplier Finance Arrangements

The amendments add a disclosure objective to PAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, PFRS 7 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

The term 'supplier finance arrangements' is not defined. Instead, the amendments describe the characteristics of an arrangement for which an entity would be required to provide the information.

To meet the disclosure objective, an entity will be required to disclose in aggregate for its supplier finance arrangements:

- The terms and conditions of the arrangements
- The carrying amount, and associated line items presented in the entity's statement of financial position, of the liabilities that are part of the arrangements
- The carrying amount, and associated line items for which the suppliers have already received payment from the finance providers
- Ranges of payment due dates for both those financial liabilities that are part of a supplier finance arrangement and comparable trade payables that are not part of a supplier finance arrangement
- Liquidity risk information

The amendments, which contain specific transition reliefs for the first annual reporting period in which an entity applies the amendments, are applicable for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted.

3.02.04 Amendment to PFRS 16 Leases—Lease Liability in a Sale and Leaseback

The amendments to PFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in PFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date.

The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease. Without these new requirements, a seller-lessee may have recognised a gain on the right of use it retains solely because of a remeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in PFRS 16. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate.

As part of the amendments, the IASB amended an Illustrative Example in PFRS 16 and added a new example to illustrate the subsequent measurement of a right-of-use asset and lease liability in a sale and leaseback transaction with variable lease payments that do not depend on an index or rate. The illustrative examples also clarify that the liability, that arises from a sale and leaseback transaction that qualifies as a sale applying PFRS 15, is a lease liability.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. If a seller-lessee applies the amendments for an earlier period, it is required to disclose that fact.

A seller-lessee applies the amendments retrospectively in accordance with PAS 8 to sale and leaseback transactions entered into after the date of initial application, which is defined as the beginning of the annual reporting period in which the entity first applied PFRS 16.

3.03 Deferred Effectivity

3.03.01 Amendments to PFRS 10 Consolidated Financial Statements and PAS 28 Investments in Associates and Joint Ventures—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to PFRS 10 and PAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted.

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, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022, equity instruments at FVOCI amounting to ₱5,000,000 and nil, respectively, 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, 2023 and 2022, 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, 2023 and 2022, 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 an 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.

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, 2023 and 2022, 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 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.

4.13 Related Parties and Related Party Transactions

4.13.01 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.

4.13.02 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.

4.14 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.

4.15 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, 2023 and 2022:

2023	Neither past due nor impaired	Past due but not impaired	Past due and impaired	Total
Cash in bank	100,000	-	-	100,000
Financial asset at fair value through OCI (FVOCI)	5,000,000	-	-	5,000,000
	5,100,000	-	-	5,100,000

2022	Neither past due nor impaired	Past due but not impaired	Past due and impaired	Total
Cash in bank	5,100,000	-	-	5,100,000

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:

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

2022	On demand	Due within 1 year	Due beyond 1 year but within 5 years	Due beyond 5 years	Total
Accounts payable	109,935	-	-	-	109,935

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:

	2023	2022
Total liabilities	P 797,682	P 463,828
Total fund balance	P 4,302,318	P 4,646,107
Debt to equity ratio	0.19:1	0.10:1

8. CASH IN BANK

As of December 31, 2023 and 2022, the Association's cash in bank amounted to P100,000 and P5,100,000, respectively.

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

Interest income earned for the period ended December 31, 2023 and seven-month period ended December 31, 2022 amounted to nil.

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

9. PREPAYMENTS AND OTHER CURRENT ASSETS

As of December 31, 2023 and 2022, the Association's prepayments and other current assets refers to unused supplies amounted to nil and P9,935, respectively.

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

As of December 31, 2023 and 2022, the Association's investment amounted to P5,000,000 and nil, respectively.

Dividend earned on financial asset at fair value through OCI (FVOCI) amounted to nil for the year ended December 31, 2023 and seven-month period ended December 31, 2022.

11. ACCOUNTS PAYABLE

Association's accounts payable pertains to various short-term obligations. As of December 31, 2023 and 2022, accounts payable amounted to P797,682 and P463,828, respectively.

12. 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 amounted to nil as of December 31, 2023 and 2022.

13. RELATED PARTY

13.01 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.

No related party transactions were entered into as of December 31, 2023 and 2022.

13.02 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 nil in 2023 and 2022.

14. 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, 2023 and 2022, 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.

15. UNDERWRITING INCOME

The Association's underwriting income for the year amounted to nil for the year ended December 31, 2023 and seven-month period ended December, 31, 2022 as presented in the statement of comprehensive loss.

16. UNDERWRITING EXPENSE

The Association's underwriting expense for the year amounted to nil for the year ended December 31, 2023 and seven-month period ended December 31, 2022 as presented in the statement of comprehensive loss.

17. OTHER INCOME

The Association's other income for the year amounted to nil for the year ended December 31, 2023 and seven-month period ended December 31, 2022 as presented in the statement of comprehensive loss.

18. GENERAL AND ADMINISTRATIVE EXPENSES

Breakdown of pre-operating expenses is as follows:

	2023	2022
Research and development	P 198,015	P 330,000
Licensing fee	116,150	-
Filing fee	17,675	-
Office supplies	4,500	-
Taxes and licenses	2,105	3,485
Fines and penalties	2,000	-
Travel and transportation	-	14,813
Miscellaneous expenses	3,344	5,595
	P 343,789	P 353,893

19. INCOME TAXES

19.01 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, 2023.

Income tax expense amounted to nil as of December 31, 2023 and for the seven-month period ended December 31, 2022.

19.02 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.

19.03 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.

19.04 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.

19.05 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.

20. 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.

21. 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, 2023 and 2022:

	2023		2022	Fair value
	Carrying value	Carrying value	Carrying value	
Financial asset				
Cash in bank	100,000	100,000	5,100,000	5,100,000
Financial liability				
Accounts payable	797,682	797,682	463,828	463,828

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.

22. 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).

23. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were authorized and approved for issue by the Board of Trustees on June 10, 2024.

24. 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 2023 are as follows:

24.01 Value-added Tax

The National Internal Revenue Code of 1997 provides for the imposition of VAT on sales of goods and services. Accordingly, the Association's sale of services is subject to output VAT while its purchases from other VAT-registered individuals or corporations are subject to input VAT.

24.01.01 Output VAT

No amount of output VAT were paid in 2023 and 2022.

24.01.02 Input VAT

No amount of input VAT were incurred during 2023 and 2022.

24.02 Other Taxes and Licenses

This includes all other taxes, local and national including licenses and permits fees and documentary stamp taxes lodged under the caption "Operating expenses".

The Association paid ₱2,105 and ₱3,485 related to taxes and licenses for the year ended December 31, 2023 and for the seven-month period ended December 31, 2022, respectively.

24.03 Withholding Taxes

No amount of withholding taxes was paid in 2023 and 2022.

24.04 Excise Tax

The Association has no excise tax accrued and paid for the year ended December 31, 2023 and for the seven-month period ended December 31, 2022.

24.05 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.