TSPI MUTUAL BENEFIT ASSOCIATION, INC.
(A Nonstock, Nonprofit Organization)

FINANCIAL STATEMENTS
December 31, 2023 and 2022

With Independent Auditors' Report

TSPI MUTUAL BENEFIT ASSOCIATION, INC.

STATEMENT OF MANAGEMENT'S RESPONSIBIILITY FOR ANNUAL INCOME TAX RETURN

The Management of TSPI Mutual Benefit Association, Inc., (the Association) is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2023. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2023 and the accompanying Annual Income Tax Return are in accordance with the books and records of the Association, complete and correct in all material respects. Management likewise affirms that:

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

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

(c) the Association has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

Signature: ____________________
Ma. Luz A. Planas
Chairperson of the Board

Signature: ____________________
Florencia G. Tarriela
CFO/Treasurer

Signature: ____________________
Alice Z. Cordero
President/Chief Executive Officer

Signed this 6th day of March, 2024

Name	Competent Evidence of Identity	Issued on/At
Ma. Luz A Planas	Phil Passport No. P8397488B	07 Dec 2021 / DFA Manila
Florencia G. Tarriela	Phil Passport No. P1128284C	30 July 2022/ DFA NCR East
Alice Z. Corder	OSCA Pasig ID No. 99100	03/13/07 / Pasig City

SUBSCRIBED AND SWORN TO BEFORE ME, this APR 1 5 2024 at SAN MATEO, RIZAL, affiants exhibited their respective identifications as competent proof of identity.

Doc. No. 296;
Page No. 61;
Book No. IX;
Series of 2024.

LEONARDA BALCOS DIAZ
Notary Public for San Mateo, Rizal | Until December 31, 2024
No.4 Kambal Road, Guitnang Bayan II, San Mateo, Rizal 1850
Roll of Attorney's No. 50495 | IBP Lifetime Roll No. 05600/RSM
MCLE Compliance No. VII-0026054/04-14-2025
PTR No. 19168357/SMR/01-09-2023

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

BOA/PRC Accreditation No. 4782
August 16, 2021, valid until April 13, 2024
SEC Registration No. PP201007009

BDO Towers Valero
8741 Paseo de Roxas
Makati City 1226 Philippines
Phone : +632 8 982 9100
Fax : +632 8 982 9111
Website : www.reyestacandong.com

INDEPENDENT AUDITORS' REPORT

The Members and the Board of Trustees
TSPI Mutual Benefit Association, Inc.
3rd Floor, Tulay sa Pag-unlad, Inc. (TSPI) Bldg.
2363 Antipolo St, Guadalupe Nuevo
Makati City 1212

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of TSPI Mutual Benefit Association, Inc. (the Association), which comprise the statement of assets, liabilities, and fund balance as at December 31, 2023, and the statement of comprehensive income, statement of changes in fund balance and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying 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 flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSA). 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 the 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 financial statements of the Association as at and for the year ended December 31, 2022 were audited by another auditor, whose report dated April 25, 2023 expressed an unmodified opinion on those statements.

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

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

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 auditors' 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 PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, these 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 PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Association to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on the Supplementary Information Required under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes and licenses in Note 25 to the financial statements is 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 TSPI Mutual Benefit Association, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

REYES TACANDONG & CO.

CAROLINA P. ANGELES
Partner
CPA Certificate No. 86981
Tax Identification No. 205-067-976-000
BOA Accreditation No. 4782; Valid until April 13, 2024
BIR Accreditation No. 08-005144-007-2022
Valid until October 16, 2025
IC Accreditation No. 86981-IC Group A
Issued March 5, 2020
Valid for Financial Periods 2019 to 2023
PTR No. 10072409
Issued January 2, 2024, Makati City

March 6, 2024
Makati City, Metro Manila

TSPI MUTUAL BENEFIT ASSOCIATION, INC.
(A Nonstock, Nonprofit Organization)

STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE
DECEMBER 31, 2023
(With Comparative Figures for 2022)

	Note	**2023**	2022
ASSETS			
Cash and cash equivalents	6	**₱137,660,108**	₱154,015,050
Receivables	7	**9,447,299**	7,426,371
Available-for-sale (AFS) financial assets	8	**1,069,358,251**	979,802,040
Held-to-maturity (HTM) investments	9	**182,002,599**	181,610,384
Property and equipment	10	**5,844,125**	1,340,474
Investment properties	11	**55,194,303**	55,687,484
Net retirement asset	18	**2,603,682**	3,447,593
Other assets		**2,493,424**	1,062,481
		₱1,464,603,791	₱1,384,391,877
LIABILITIES AND FUND BALANCE			
Liabilities			
Accrued expenses and other liabilities	12	**₱15,546,777**	₱47,969,244
Claims payable	13	**236,458,689**	218,336,163
Aggregate reserves	14	**28,425,762**	42,494,659
Equity value reserves	15	**55,776,730**	67,375,680
Total Liabilities		**336,207,958**	376,175,746
Fund Balance			
Guaranty fund reserves	16	**159,494,042**	152,692,440
General fund balance	17	**186,754,993**	189,055,351
Funds assigned for members' benefits		**600,048,316**	547,423,705
Funds assigned for capacity building		**258,031,470**	235,872,826
Remeasurement loss on net retirement asset	18	**(2,147,466)**	(1,508,541)
Fair value reserve on AFS financial assets	8	**(68,474,528)**	(109,639,541)
Fair value reserve on AFS financial assets reclassified to HTM investments		**(5,310,994)**	(5,680,109)
Total Fund Balance		**1,128,395,833**	1,008,216,131
		₱1,464,603,791	₱1,384,391,877

See accompanying Notes to Financial Statements.

TSPI MUTUAL BENEFIT ASSOCIATION, INC.
(A Nonstock, Nonprofit Organization)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023
(With Comparative Figures for 2022)

	Note	2023	2022
NET MEMBERS' CONTRIBUTIONS AND PREMIUMS			
Members' contributions and premiums	24	**₱143,901,994**	₱198,462,150
Members' contributions and premiums ceded to reinsurers		**(56,500)**	(52,500)
		143,845,494	198,409,650
CLAIMS, BENEFITS AND OTHER COSTS			
Claims and benefits	13	**40,265,617**	38,070,822
Increase in equity value reserves	15	**18,708,293**	28,120,076
Increase (decrease) in aggregate reserves	14	**(14,068,897)**	10,188,860
Other direct costs	21	**51,009,040**	63,462,807
		95,914,053	139,842,565
GROSS INCOME		**47,931,441**	58,567,085
GENERAL AND ADMINISTRATIVE EXPENSES			
Salaries and other employee benefits	20	**7,924,360**	8,176,306
Dues and fees		**4,600,700**	602,681
Repairs and maintenance	19	**3,769,447**	5,694,065
Planning, meetings and conferences		**2,514,176**	663,027
Communication, light and water		**2,091,749**	2,099,281
Depreciation and amortization	10	**1,716,097**	1,479,559
Professional fees		**1,014,176**	1,907,435
Office supplies		**294,922**	168,531
Transportation and travel		**150,202**	123,267
Taxes and licenses		**90,512**	22,871
Representation and entertainment		**83,079**	75,911
Miscellaneous	22	**375,500**	375,794
		24,624,920	21,388,728
OPERATING INCOME		**23,306,521**	37,178,357
OTHER INCOME (EXPENSE) - NET			
Interest income	6	**52,010,320**	45,873,898
Dividend income	8	**2,663,738**	764,295
Gain (loss) on sale of investments	8	**702,623**	(1,304,135)
Interest expense	15	**(356,889)**	(538,223)
Others		**958,186**	(881,329)
		55,977,978	43,914,506
NET INCOME		**79,284,499**	81,092,863
Item that may be reclassified to profit or loss			
Net change in fair value reserve on AFS financial assets	8	**41,165,013**	(109,993,518)
Item that will not be reclassified to profit or loss			
Remeasurement gain (loss) on net retirement asset	18	**(638,925)**	1,297,268
OTHER COMPREHENSIVE INCOME (LOSS)		**40,526,088**	(108,696,250)
TOTAL COMPREHENSIVE INCOME (LOSS)		**₱119,810,587**	(₱27,603,387)

See accompanying Notes to Financial Statements.

TSPI MUTUAL BENEFIT ASSOCIATION, INC.
(A Nonstock, Nonprofit Organization)

STATEMENT OF CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2023
(With Comparative Figures for 2022)

	Guaranty Fund Reserves (Note 16)	General Fund Balance (Note 17)	Funds Assigned for Members' Benefits	Funds Assigned for Capacity Building	Remeasurement Loss on Net Retirement Asset (Note 18)	Fair Value Reserve on AFS Financial Assets (Note 8)	Fair Value Reserve on AFS Financial Assets Reclassified to HTM Investments	Total
Balances as at January 1, 2023	**₱152,692,440**	**₱189,055,351**	**₱547,423,705**	**₱235,872,826**	**(₱1,508,541)**	**(₱109,639,541)**	**(₱5,680,109)**	**₱1,008,216,131**
Net income	–	79,284,499	–	–	–	–	–	79,284,499
Other comprehensive income (loss):								
Net change in fair value reserve of AFS financial assets	–	–	–	–	–	41,165,013	–	41,165,013
Remeasurement loss on net retirement asset	–	–	–	–	(638,925)	–		(638,925)
Total comprehensive income (loss)	–	79,284,499	–	–	(638,925)	41,165,013	–	119,810,587
Transfer to guaranty fund	6,801,602	(6,801,602)	–	–	–	–	–	–
Appropriation of general fund balance	–	(79,131,506)	55,392,054	23,739,452				–
Utilization of funds assigned for members' benefits and capacity building	–	4,348,251	(2,767,443)	(1,580,808)	–	–	–	–
Amortization of fair value reserve on AFS financial assets reclassified to HTM investments	–	–	–	–	–	–	369,115	369,115
	6,801,602	(81,584,857)	52,624,611	22,158,644	–	–	369,115	369,115
Balances as at December 31, 2023	**₱159,494,042**	**₱186,754,993**	**₱600,048,316**	**₱258,031,470**	**(₱2,147,466)**	**(₱68,474,528)**	**(₱5,310,994)**	**₱1,128,395,833**

(Forward)

	Guaranty Fund Reserves (Note 16)	General Fund Balance (Note 17)	Funds Assigned for Members' Benefits	Funds Assigned for Capacity Building	Remeasurement Gain (Loss) on Net Retirement Asset (Note 18)	Fair Value Reserve on AFS Financial Assets (Note 8)	Fair Value Reserve on AFS Financial Assets Reclassified to HTM Investments	Total
Balances as at January 1, 2022	₱143,317,119	₱156,538,064	₱518,402,606	₱222,780,520	(₱2,805,809)	₱353,977	(₱6,003,544)	₱1,032,582,933
Net income	–	81,092,863	–	–	–	–	–	81,092,863
Other comprehensive income (loss):								
Net change in fair value reserve of AFS financial assets	–	–	–	–	–	(109,993,518)	–	(109,993,518)
Remeasurement gain on net retirement asset	–	–	–	–	1,297,268	–	–	1,297,268
Total comprehensive income (loss)	–	81,092,863	–	–	1,297,268	(109,993,518)	–	(27,603,387)
Transfer to guaranty fund	9,375,321	(9,375,321)	–	–	–	–	–	–
Appropriation of general fund balance	–	(43,714,927)	30,600,449	13,114,478	–	–	–	–
Utilization of funds assigned for members' benefits and capacity building	–	1,601,522	(1,579,350)	(22,172)	–	–	–	–
Amortization of fair value reserve on AFS financial assets reclassified to HTM investments	–	–	–	–	–	–	323,435	323,435
Transfer of forfeited equity value and interest	–	2,913,150	–	–	–	–	–	2,913,150
	9,375,321	(48,575,576)	29,021,099	13,092,306	–	–	323,435	3,236,585
Balances as at December 31, 2022	₱152,692,440	₱189,055,351	₱547,423,705	₱235,872,826	(₱1,508,541)	(₱109,639,541)	(₱5,680,109)	₱1,008,216,131

See accompanying Notes to Financial Statements.

TSPI MUTUAL BENEFIT ASSOCIATION, INC.
(A Nonstock, Nonprofit Organization)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2023
(With Comparative Figures for 2022)

	Note	**2023**	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**₱79,284,499**	₱81,092,863
Adjustment for:			
Interest income	6	**(52,010,320)**	(45,873,898)
Increase (decrease) in aggregate reserves	14	**(14,068,897)**	10,188,860
Dividend income	8	**(2,663,738)**	(764,295)
Depreciation and amortization	10	**1,716,097**	1,479,559
Loss (gain) on sale of investments	8	**(702,623)**	1,304,135
Interest expense	15	**356,889**	538,223
Retirement expense	18	**204,986**	401,228
Reversal of provision for claims incurred but not yet reported	13	**–**	(300,000)
Operating income before working capital changes		**12,116,893**	48,066,675
Decrease (increase) in:			
Receivables		**(185,294)**	4,469,351
Other assets		**(1,430,943)**	97,030
Short-term investments		**–**	6,904,852
Increase (decrease) in:			
Accrued expenses and other liabilities		**(32,422,467)**	29,097,235
Claims payable		**18,122,526**	(9,217,834)
Equity value reserves		**(11,195,151)**	28,120,076
Net cash provided by (used for) operations		**(14,994,436)**	107,537,385
Interest paid		**(760,688)**	(1,968,064)
Net cash provided by (used in) operating activities		**(15,755,124)**	105,569,321
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**51,735,388**	51,008,769
Dividends received	8	**2,663,738**	764,295
Acquisitions of:			
AFS financial assets	8	**(135,000,000)**	(320,461,099)
Property and equipment	10	**(5,726,567)**	(1,564,774)
Proceeds from sale/maturities of:			
AFS financial assets	8	**85,727,623**	304,760,089
Property and equipment	10	**–**	40,999
Net cash provided by investing activities		**(599,818)**	34,548,279
CASH FLOW FROM A FINANCING ACTIVITY			
Transfer of forfeited equity value and interest		**–**	2,913,150
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(16,354,942)**	143,030,750
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**154,015,050**	10,984,300
CASH AND CASH EQUIVALENTS AT END OF YEAR	6	**₱137,660,108**	₱154,015,050

See accompanying Notes to Financial Statements.

TSPI MUTUAL BENEFIT ASSOCIATION, INC.
(A Nonstock, Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2023
(With Comparative Information for 2022)

1. General Information

TSPI Mutual Benefit Association, Inc. (the Association) was registered with the Philippine Securities and Exchange Commission (SEC) on August 31, 2005, and was given license to operate as a mutual benefit association by the Insurance Commission (IC) on December 22, 2006. The Association was organized primarily to extend financial assistance to the members and immediate members of their families in the form of death benefits, medical reimbursement, pension, loan redemption assistance, disability benefit and other services for the benefit of the members.

The Association's license as a mutual benefit association is valid until December 31, 2024.

As provided in Section 30 (e) of the National Internal Revenue Code (NIRC), the Association is exempt from the payment of income tax with respect to income it receives as a nonstock, nonprofit organization.

The Association's registered address is at 3rd Floor, Tulay sa Pag-unlad Inc. (TSPI) Building, 2363 Antipolo Street, Guadalupe Nuevo, Makati City 1212.

Approval of the Financial Statements

The Association's financial statements as at and for the year ended December 31, 2023 (with comparative information for 2022) were approved and authorized for issue by the Association's Board of Trustees (BOT) on March 6, 2024.

2. Summary of Material Accounting Policy Information

Basis of Preparation and Statement of Compliance

These financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC) issued by the Philippine Financial and Sustainability Reporting Standards Council and adopted by the SEC, including the SEC pronouncements.

Basis of Measurement

The financial statements of the Association are presented in Philippine Peso (Peso), which is the Association's functional currency. All values are stated in absolute amounts unless otherwise indicated.

The financial statements of the Association have been prepared on the historical cost basis of accounting, except for the following:

- Available-for-sale (AFS) financial assets that are initially carried at the fair value;
- Aggregate reserves which is computed based on generally accepted actuarial principles; and
- Net retirement asset which is carried at the fair value of plan assets less the present value of the defined benefit obligation;

Historical cost is generally based on the fair value of the consideration given in exchange for an asset and the fair value of consideration received in exchange for incurring a liability.

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

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

Level 1 − Quoted (unadjusted) market prices in active market for identical assets or liabilities.
Level 2 − Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
Level 3 − Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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

Adoption of Amended Standards
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS effective January 1, 2023:

- Amendments to PAS 1, *Presentation of Financial Statements,* and PFRS Practice Statement 2, *Making Materiality Judgments - Disclosure Initiative - Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2 is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information.

The adoption of the amendment to PFRS did not materially affect the financial statements of the Association. Additional disclosures were included in the financial statements, as applicable.

Amended PFRS Issued But Not Yet Effective

Relevant amended PFRS, which are not yet effective as at December 31, 2023 are not expected to have any material effect on the financial statements of the Association. Additional disclosures will be included in the financial statements, as applicable.

Insurance Contracts

The Association issues membership certificates, governing rules and regulations, and application forms that transfer insurance risk.

Conventional Annual Insurance Contracts. These contracts insure events associated with human life (death or survival) over an annual duration. Members' contributions and premiums are recognized as revenue when paid by the certificate holder. Benefits are recognized as an expense when they are incurred.

Reinsurance Contracts Held. Contracts entered into by the Association with reinsurer which compensates the Association for losses on one (1) or more contracts issued by the Association and that meet the classification requirements for insurance contracts are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets.

The benefits recoverable to which the Association is entitled under its reinsurance contracts held are recognized as reinsurance assets. These assets consist of amounts due from reinsurers classified within insurance receivables.

Reinsurance liabilities are primarily members' contributions and premiums payable for reinsurance contracts and are recognized as expense when due.

Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with terms of each reinsurance contract.

The Association assesses its reinsurance assets for impairment at least annually. If there is objective evidence that the reinsurance asset is impaired, the Association reduces the carrying amount of the reinsurance assets to its recoverable amount and recognizes that impairment loss in profit or loss. The Association gathers the objective evidence that a reinsurance asset is impaired using the same process for financial assets.

Financial Instruments

The Association availed of the temporary exemption from PFRS 9 as permitted by the amendments to PFRS 4, *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts*, issued in September 2016. The temporary exemption permits entities whose activities are predominantly connected with insurance to continue applying PAS 39 instead of PFRS 9 until the effectivity of the new insurance standards beginning January 1, 2025.

Based on the assessment made by the management, the Association qualifies for the deferral of application of PFRS 9 since its activities are predominantly connected with insurance. Accordingly, the Association deferred the adoption of PFRS 9 and has continued to apply PAS 39.

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

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

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

Classification. Financial instruments are classified as liability or equity in accordance with the substance of the contractual agreement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expenses or income. Distributions to holders of financial instruments classified as equity are treated as owner-related and thus charged directly to fund balance.

The Association classifies its financial assets into the following categories: AFS investments, Held-to-maturity (HTM) investments, and receivables.

The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. The management determines the classification of its financial instruments at initial recognition, and where allowed and appropriate, re-evaluates the designation at each reporting date.

AFS Investments. AFS investments are non-derivative financial assets that are either designated in this category or do not qualify to be classified as financial assets at FVPL, HTM investments or loans and receivables. Financial assets may be designated at initial recognition as AFS investments if these are purchased indefinitely and may be sold in response to liquidity requirements or change in market conditions. These include debt and equity securities.

After the initial measurement, AFS investments are carried at fair value in the statement of financial position. Changes in the fair value, other than impairment loss, interest accretion and foreign currency differences on AFS investments classified as debt instruments (which are all recognized in profit or loss), are reported as part of other comprehensive income (OCI) and accounted for in the fund balance under "Cumulative fair value changes on AFS investments" account.

When the fair value of AFS investments cannot be measured reliably because of lack of reliable estimates of unobserved inputs, such as in case of unquoted equity instruments, these financial assets are allowed to be carried as cost less impairment, if any.

Dividends earned on holding AFS investments are recognized in profit or loss when the right to receive payment has been established. The loss arising from impairment of such securities is recognized as impairment loss in profit or loss.

When AFS investments are derecognized, the cumulative gain or loss previously recognized in OCI and lodged under fund balance is transferred to profit or loss. Where the Association holds more than one (1) investment in the same security, these are deemed to be disposed of on a weighted average basis.

As at December 31, 2023 and 2022, the Association's AFS investments consist of government and corporate bonds and equity securities (see Note 8).

HTM Investments. HTM investments are non-derivative financial assets that are quoted in the market, with fixed or determinable payments and fixed maturities for which the Association's management has the positive intention and ability to hold to maturity. HTM investments are subsequently measured at amortized cost using the effective interest method, less any allowance for impairment. 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 (EIR). The amortization is included as part of "interest income" account in the statement of comprehensive income. Gains and losses are recognized in profit or loss when the HTM investments are derecognized. Any impairment loss is also recognized in profit or loss.

When the Association sells or reclassifies other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified at fair value as AFS investments. The Association would then be unable to categorize financial instruments as HTM investments for the next two (2) years in the financial statements.

As at December 31, 2023 and 2022, the Association's HTM investments consist of investments in government and corporate bonds (see Note 9).

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are carried at amortized cost using the effective interest method less any allowance for impairment. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

This category includes cash and cash equivalents, receivables, and other assets.

Cash and cash equivalents include cash on hand, cash in banks and cash equivalents. Cash in banks earn interest at the prevailing market deposit rates. Cash equivalents are highly liquid investments with original maturities of three (3) months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For receivables and other assets, these are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not held for trading.

Other Financial Liabilities. Financial liabilities which are not held for trading or are not designated at FVPL are classified as financial liabilities carried at amortized cost where the substance of the contractual arrangement results in the Association having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

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

This category includes accrued expenses and other liabilities (excluding payables to government agencies), claims payable, aggregate reserves, and equity value reserves (see Notes 12, 13, 14, and 15).

Impairment of Financial Assets

The Association assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Objective evidence includes observable data that comes to the attention of the Association about loss events such as but not limited to significant financial difficulty of the counterparty, a breach of contract, such as a default or delinquency in interest or principal payments, probability that borrower will enter bankruptcy or other financial reorganization.

HTM Investments. The Association assesses at each reporting date whether there is any objective evidence that its HTM investments are impaired. Objective evidence that a financial asset is impaired includes observable data that comes to the attention of the holder of the asset about the following loss events:

a. Significant financial difficulty of the issuer or obligor;
b. Breach of contract, such as default or delinquency in interest or principal payments;
c. The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider; or
d. It becoming probable that the borrower will enter bankruptcy or other financial reorganization.

Receivables. The Association first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtor's ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the assets' original effective interest rate. Time value is generally not considered when the effect of discounting is not material. The carrying amount of the asset shall be reduced directly or through the use of an allowance account. The amount of loss shall be recognized in profit or loss.

If, in a subsequent period, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Where a receivable has been ascertained to be worthless, the related amount is written off against the corresponding allowance for impairment.

AFS Investments Carried at Fair Value. In case of equity investments classified as AFS investments, impairment indicators would include a significant or prolonged decline in the fair value of the investments below its cost. When there is evidence of impairment, the cumulative loss which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss is removed from OCI and recognized in profit or loss. Recovery of impairment losses on equity investments are not reversed through profit or loss. Increases in fair value after impairment are recognized directly in OCI.

The Association treats “significant” generally as 20% or more and “prolonged” as greater than six (6) months. In addition, the Association evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities. Impairment may be appropriate also when there is evidence of deterioration in the financial health of the investee, the industry and sector performance, changes in technology and operational and financing cash flows.

For a partial disposal, a proportionate share of the fair value gains and losses previously recognized in OCI is reclassified from equity to profit or loss. Such gains and losses include all fair value changes until the date of disposal.

Derecognition of Financial Assets and Financial Liabilities

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

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

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

Financial Liability. A financial liability is derecognized from the statement of financial position when the obligation under the financial liability is discharged, cancelled or has expired. Where 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 derecognition of the original liability and the recognition of a new liability, with the difference in the respective carrying amounts recognized in profit or loss.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation, amortization and any impairment in value.

The initial cost of property and equipment comprises of its purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use.

Expenditures incurred after the asset has been put into operations, such as repairs and maintenance, are normally recognized as expense in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have improved the condition of the asset beyond the originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Depreciation and amortization is charged to profit or loss and is computed using straight-line method over the following estimated useful lives:

Asset Type	Number of Years
Office furniture and fixtures	5
Transportation and equipment	5
Office equipment	3 - 5
Building and improvements	5
Computer software	3

The estimated useful lives and depreciation and amortization are reviewed and adjusted, if appropriate, at each reporting date to ensure that such years and method of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of property and equipment.

Fully depreciated assets are retained in the accounts until these are no longer being used and no further depreciation and amortization are credited or charged to profit or loss.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from derecognition of the asset (measured as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the item is derecognized.

Investment Properties

Investment properties are held for capital appreciation but not for sale in the ordinary course of business or for administrative purposes.

Investment properties are stated at cost less accumulated depreciation and amortization and any impairment in value. Cost includes the acquisition cost of the investment properties plus incidental costs.

Investment property is derecognized when either this has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of retirement or disposal.

Impairment of Nonfinancial Assets

At each reporting date, nonfinancial assets are reviewed to determine whether there is any indication that those assets may be impaired. If there is an indication of possible impairment, the recoverable amount of any asset (or group of related assets) is estimated and compared with its carrying amount.

An asset's (or group of assets') recoverable amount is the higher of an asset's fair value less cost to sell and its value in use, and is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and impairment loss is recognized immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset (or group of related assets) in prior year. A reversal of an impairment loss is recognized immediately in profit or loss.

Insurance Contract Liabilities

Aggregate Reserves. This represent the accumulated total liability for policies in-force as at the reporting date. Such reserves are established at amount adequate to meet the estimated future obligations to all members with in-force policy. The reserves are calculated using the actuarial methods and assumptions in accordance with statutory requirements and as approved by the IC.

The corresponding change in aggregate reserves is presented as "Increase (decrease) in aggregate reserves" in profit or loss.

Equity Value Reserves. This represent the accumulated reserve for remittance to members. In accordance with Section 409 of the Insurance Code, as Amended (the Insurance Code), equity value reserves are established at fifty percent (50%) of the total mandatory membership contributions collected from every outstanding membership certificate. The increase in equity value reserves as a result of the collection of membership contribution is presented as "Increase in equity value reserves" in profit or loss.

Effective December 1, 2014, the twenty percent (20%) surrender charge was no longer imposed on equity value for certificates paid for less than three (3) continuous years. Upon death or withdrawal of the member, equity value reserves contributed and interest thereon are refunded to its members. Effective February 1, 2016, interest rate on equity value reserve was reduced from 2.00% to 0.50% as approved by the BOT.

On October 10, 2016, the IC approved the transfer of equity value reserves in the fund balance based on its letter to the Microinsurance Mutual Benefit Association of the Philippines and accounted as follows:

- equity value reserves for delinquent members beyond the prescribed three (3) years reinstatement period should be transferred to assigned surplus for the benefit of the members provided that the Association initiate at least two (2) actions to locate and inform the delinquent members. However, the Association should maintain a schedule in case any of the members will make a claim in the future.
- unreturned equity value reserves of deceased members and equity value reserves of resigned members (forfeited equity value) before the effectivity of the amended Insurance Code with less than three (3) years of membership are transferred to general fund balance.

As required by the IC, this change in accounting policy will be applied prospectively. The Association adopted the accounting policy in 2017 since aforementioned actions required by the IC has to be performed including the validation of the delinquent and resigned members in 2016.

Fund Balance

Guaranty Fund Reserves. Restricted fund balance represents the required fund amounting to ₱5.00 million, and every year thereafter increased by an amount equivalent to five percent (5%) of gross members' contribution and premium collections until its amount has reached twenty-five percent (25%) of the required net worth for existing domestic life insurance companies.

General Fund Balance. The account represents the free and unassigned surplus of the Association.

Funds Assigned for Members' Benefits. The account pertains to the amount appropriated for members' benefits such as community development, transformation and microenterprise projects.

Funds Assigned for Capacity Building. The account pertains to the amount appropriated for capacity building such as training of members and employees and investment in new systems.

Cumulative Remeasurement Reserves on Net Retirement Asset. This pertains to the cumulative amount of remeasurement of net retirement asset arising from actuarial gains and losses due to experience and demographic assumptions as well as gains and losses in the retirement fund.

Fair Value Reserve on AFS Financial Assets. The cumulative fair value changes on AFS investments comprise gains and losses arising from the revaluation of AFS investments at fair market values.

Revenue Recognition

The Association recognizes revenue from contracts with customers when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Association expects to be entitled in exchange for those goods or services, excluding amounts collected on behalf of third parties.

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

Members' Contributions and Premiums. These are recognized when due. The annual members' contribution of two hundred forty pesos is for mandatory life insurance cover while premiums include the following:

- One (1) peso weekly for every thousand pesos of loan availed for credit life;
- Ten pesos annually for every thousand pesos loan availed for mortgage redemption insurance;
- Two hundred forty pesos annually for life plus insurance plan cover; and
- Six hundred fifty pesos annually for life maximum insurance cover.

Members' Contributions and Premiums Ceded to Reinsurers. The account are recognized as expense when the policy becomes effective.

Interest Income. This pertains for all interest-bearing financial instruments recognized in profit or loss using effective interest method.

Dividend Income. This is recognized when the shareholder's right to receive payment is established.

Gain (Loss) on Sale of Investments. This pertains to the amount in excess of the selling price against the carrying amount of the AFS financial assets in a sale transaction. Similarly, a loss is incurred when the value of investment drops below its cost.

Other Income. This arises mainly from surcharge fees due to the early termination of the policy and recovery of marketing and selling expenses for Micro health products which are recognized at point in time.

Determining Whether the Association is Acting as Principal or Agent
The Association assesses their revenue arrangements against the following criteria to determine whether they are acting as a principal or an agent:

- Whether the Association has primary responsibility for providing the services;
- Whether the Association has discretion in establishing prices; and
- Whether the Association bears the inventory risk.

If the Association has determined they are acting as principal, the Association recognize revenue on gross basis with the amount remitted to other party being accounted as part of cost and expenses. If the Association has determined they are acting as agent, only the net amount retained is recognized as revenue.

The Association has determined that they are acting as principal on its premium for all of their other revenue arrangements.

Cost and Expense Recognition
Costs and expenses are recognized in profit or loss when the related goods are sold, upon utilization of services or at the date the costs and expenses are incurred.

Claims and Benefits. Claims consist of benefits and claims paid and unpaid to members, denied and resisted claims and incurred but not reported (IBNR) claims. Provision for IBNR is made for the cost of claims incurred as of each reporting date but not reported until after the reporting date based on the Association's experience and historical data. Differences between the provision for outstanding claims at the reporting date and subsequent revisions and settlements are included in profit or loss of subsequent years. Death claims and surrenders are recorded on the basis of notifications received.

Other Direct Costs. Other direct costs pertain to all costs incurred by the Association that are directly related to the Association's insurance business such as marketing expenses and fees paid for collection services.

General and Administrative Expenses. Expenses are recognized when the decrease in future economic benefits related to a decrease in an asset or increase of a liability has arisen that can be measured reliably. Expenses are recognized when incurred.

Interest Expense. Interest expense on accumulated equity value reserves of active members is recognized in profit or loss when it accrues.

Employee Benefits

Short-term Employee Benefits. Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Association has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Retirement Benefits. The Association's net obligation in respect of the defined benefit plan is calculated by estimating the amount of the future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The Association recognizes service costs, comprising of current service costs, past service costs, gains and losses on curtailments and non-routine settlements and net interest expense or income in profit or loss. Net interest is calculated by applying the discount rate to the net retirement liability or asset.

Past service costs are recognized in profit or loss on the earlier of the date of the plan amendment or curtailment and the date that the Association recognizes restructuring-related costs.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit obligation) are recognized immediately in OCI in the year in which these arise. Remeasurements are not reclassified to profit or loss in subsequent year.

The present value of the retirement liability is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets are based on market price information or is otherwise estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets.

The net retirement asset is the fair value of plan assets out of which the obligations are to be settled directly less the present value of the defined benefit obligation.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

Related Party Transactions and Relationship

Related party transactions consist of transfers of resources, services or obligations between the Association and its related parties.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) individuals who, by owning directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Association; (b) associates; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Association that gives them significant influence over the Association and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on legal form.

Provisions
Provisions are recognized when the Association has a present legal or constructive obligation as a result of a past event when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate that reflects market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

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

3. **Significant Accounting Judgments, Estimates and Assumptions**

The Association makes judgment and key estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are as follows:

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

Determining the Classification of Financial Assets. The Association classifies a financial instrument on initial recognition as a financial asset, a financial liability, or equity in accordance with the substance of the contractual arrangement and its definitions. The substance of a financial instrument, rather than its legal form, governs its classification in the statement of financial position.

Determination of Fair Value of Financial Instruments. The fair value of financial instruments traded in active markets is based on quoted market prices or quoted prices for similar assets or liabilities at the reporting date. If the financial instrument is not traded in an active market, the fair value is determined using valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed by management. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices.

Estimates and Assumptions

The key estimates and assumptions used in the financial statements are based upon management's evaluation of relevant facts and circumstances of the financial statements. Actual results could differ from those estimates. Presented below are the relevant significant estimates performed by management in preparing the financial statements.

Assessing the Impairment of AFS Financial Assets. The Association considers that investments are impaired when there has been a significant or prolonged decline in the fair value below their cost. The Association evaluates among other factors, the normal volatility in share/market price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

There was no impairment loss recognized in 2023 and 2022 on the Association's AFS financial assets. As at December 31, 2023 and 2022, the carrying amount of AFS financial assets are disclosed in Note 8.

Assessing the Impairment Losses on Other Financial Assets at Amortized Cost. The Association review to assess impairment at least on an annual basis, or as the need arises due to significant movements on certain accounts. In determining whether an impairment loss should be recorded in the profit or loss, the Association makes judgment as to whether there are any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio before the decrease can be identified with an individual receivable in that portfolio.

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

There was no impairment loss on receivables and HTM investments recognized in 2023 and 2022. The carrying amounts of HTM investments are disclosed in Note 9.

Liabilities Arising from Claims made under Insurance Contracts. The ultimate liability arising from claims made under insurance contracts is the Association's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimation of the liability that the Association will ultimately pay for such claims. The major sources of uncertainties are the frequency of claims due to contingencies covered and the timing of benefit payments.

Claims estimation by the Association considers many factors such as industry average mortality or morbidity experience, with adjustments to reflect the Association's historical experience. These liabilities form part of the Association's IBNR which is disclosed in Note 13.

Liability Adequacy Test. At each reporting period, the Association ensures that the assumptions used are best estimates, taking into consideration the current experience to determine whether liabilities are adequate in accordance with the provisions of PFRS 4. Accordingly, the recorded aggregate reserves as at December 31, 2023 and 2022 disclosed in Note 14 and IBNR claims as at December 31, 2023 and 2022 disclosed in Note 13, are adequate using best estimate assumptions.

Estimating Aggregate Reserves. The Association estimates the aggregate reserves for future contractual obligations for contributions paid by determining the forty percent (40%) of the unexpired portion of the member contributions collected each month on per week, month, quarter, semi-annual and annual basis. For premium, credit life and other optional products eighty percent (80%) of the unexpired portion is set- up. The assumption is based on a number of factors determined by an actuary including the unearned premium factor.

As at December 31, 2023 and 2022, amounts pertaining to aggregate reserves are disclosed in Note 14.

Estimating the Useful Lives of Property and Equipment and Investment Properties. The Association estimates the useful lives of property and equipment and investment properties based on the years over which the assets are expected to be available for use. The estimated useful lives of property and equipment and investment properties are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. As at December 31, 2023 and 2022, there are no changes in the estimated useful lives of property and equipment and investment properties.

The carrying amounts of depreciable property and equipment, computer software, and investment properties are disclosed in Notes 10 and 11.

Determining the Retirement Liability. The determination of the obligation and cost of retirement benefits is dependent on the selection of certain assumptions used by the actuary in calculating such amounts. Those assumptions include, among others, discount rates, expected returns on plan assets and salary increase rates.

While the Association believes that the assumptions are reasonable and appropriate, significant differences between actual experience and assumptions may materially affect the cost of employee benefits and related obligations.

The details of the Association's retirement expense and net retirement asset are disclosed in Note 18.

4. Management of Insurance and Financial Risks

The Association's activities expose it to a variety of risks such as financial and insurance risks. The overall objective of risk management is to focus on the unpredictability of financial and insurance contingencies to minimize potential adverse effects on the financial condition of the Association.

Governance

The BOT of the Association has overall responsibility for the establishment and oversight of the Association's risk management framework. The BOT has delegated to the management the responsibility of developing and monitoring the Association's risk management policies.

The Association's risk management policies are established to identify and analyze the risks faced by the Association, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Association's activities. The Association, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

Management is responsible for monitoring compliance with the risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Association.

Regulatory Framework

Regulators are interested in protecting the rights of the members and maintain close observation to ensure that the Association is satisfactorily managing its affairs for the benefit of members. At the same time, the regulators are also interested in ensuring that the Association maintains appropriate solvency position to meet liabilities arising from claims and that the risks are at acceptable levels.

The operations of the Association are subject to the regulatory requirements of the IC. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions [e.g. net worth requirements and risk-based capital (RBC) requirements].

Such restrictive provisions minimize the risk of default and insolvency on the part of the insurance companies to meet the unforeseen liabilities as these arise.

Capital Management

The Association's objective in managing fund balance is to maintain high growth by applying free cash flow to selective investments that would preclude the Association's need of additional financing. The Association sets strategies with the objective of establishing a versatile and resourceful financial management and fund balance structure. Management has overall responsibility for monitoring of fund balance in proportion to risk. Profiles for ratios are set in the light of changes in the Association's external environment and the risks underlying the Association's business operations and industry.

The Association's capital includes guaranty fund reserves, general fund balance, funds assigned for members' benefits and for capacity building, and other comprehensive income.

The Association monitors fund balance on the basis of the debt-to-equity ratio which is calculated as total debt divided by total fund balance. Total debt is equivalent to accrued expenses and other liabilities, claims payable, aggregate reserves and equity value reserves. Total equity comprises the fund balance.

Debt-to-equity ratio as at December 31 is as follows:

	2023	2022
Total debt	**₱336,207,958**	₱376,175,746
Total equity	**1,128,395,833**	1,008,216,131
Debt-to-equity ratio	**29.80%**	37.31%

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

The Association is subject to imposed capital requirements set by IC. Compliance with these requirements is discussed below.

Net Worth Requirement
Under the Insurance Code, mutual benefit associations must have available total member's equity in an amount to be determined by the IC above all liabilities for losses reported as net worth requirement.

As at December 31, 2023 and 2022, the Association is compliant with the required net worth requirement based on the Association's calculations. However, the final amount of the net worth requirement can be determined only after the accounts of the Association have been examined by the IC, specifically as to admitted and non- admitted assets as defined in the Insurance Code.

The estimated amounts of non-admitted assets as defined in the Insurance Code included in the Association's statement of assets, liabilities and fund balance, which are subject to final determination by the IC are as follows:

	2023	2022
Property and equipment	**₱3,395,389**	₱73,540
Receivables	**407,998**	406,233
Other assets	**2,493,424**	1,062,481
	₱6,296,811	₱1,542,254

RBC Requirements
As per IC's Memorandum Circular (IMC) No. 6-2006, every mutual benefit entity is annually required to maintain an RBC ratio of at least one hundred percent (100%) and not to fail the trend test. RBC ratio is computed using the formula prescribed by the IC. The RBC requirement is determined after considering the admitted value of certain financial statement accounts whose final amounts can be determined only after the examination by the IC.

Failure to meet the minimum RBC ratio shall subject the Association to regulatory intervention which could be at various levels depending on the degree of the violation.

The following table shows how the RBC ratio at December 31, 2023 and 2022 were determined by the Association based on the Association's internal calculations:

	2023	2022
Net worth	**₱1,119,495,339**	₱1,003,409,809
Risk-based capital requirement	**58,673,415**	25,066,781
Risk-based capital ratio	**1908%**	4003%

On December 28, 2016, the IC released Circular Letter No. 2016-69, Implementation Requirements for Financial Reporting, Valuation Standards for Insurance Policy Reserves, and Amended Risk-based Capital (RBC 2) Framework, which provides, among other things, that the level of sufficiency for the amended RBC 2 shall be at 95th percentile level of sufficiency for the year 2017, 97.5th percentile for the year 2018, and 99.5th percentile for the year 2019. RBC 2 Framework shall be made effective January 1, 2017.

As at December 31, 2023 and 2022, the Association is compliant with the required RBC ratio based on the Association's internal calculation.

Insurance Risk

The risk under any insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. The principal risk that the Association faces under its insurance contracts are that the actual claims and benefit payments exceed the carrying value of the insurance liabilities, which was the estimates, established using certain assumptions.

The table below sets out the concentration of life insurance contract by type of contract as at December 31, 2023 and 2022.

	2023		2022	
Contract Type	**Gross of Reinsurance**	**Net of Reinsurance**	Gross of Reinsurance	Net of Reinsurance
Basic life	**₱36,900,644**	**₱36,870,644**	₱55,732,293	₱55,703,365
Credit life	**54,580,126**	**54,553,626**	52,362,338	52,338,766
Life maximum benefit	**30,289,447**	**30,289,447**	55,210,478	55,210,478
Life plus benefit	**11,064,891**	**11,064,891**	20,344,627	20,344,627
Members' fees and dues	**7,869,042**	**7,869,042**	10,955,740	10,955,740
Golden Life Insurance Plan (GLIP) optional	**1,825,341**	**1,825,341**	1,638,391	1,638,391
Mortgage Redemption Insurance Benefits	**856,560**	**856,560**	1,710,425	1,710,425
GLIP basic	**515,943**	**515,943**	507,858	507,858
	₱143,901,994	**₱143,845,494**	₱198,462,150	₱198,409,650

The Association's exposure to insurance risk as at December 31, 2023 and 2022 are as follows:

	Note	**2023**	2022
Aggregate reserves	14	**₱28,425,762**	₱42,494,659
Equity value reserves	15	**55,776,730**	67,375,680
		₱84,202,492	₱109,870,339

Key Assumptions

The principal assumption underlying the estimates is the Association's past claims development experience. This includes assumptions in respect of average claim costs and claim numbers for each year. Additional qualitative judgments are used to assess the extent to which past trends may not apply in the future. For example, one off occurrence, changes in market factors such as public attitude to claiming, economic conditions, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgment is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Sensitivity Analysis for Insurance Risk

It is estimated that a general increase of one percent (1%) in aggregate and equity value reserves, with all other variables held constant, would result to a decrease on the Association's net income and equity as at December 31, 2023 and 2022 by approximately ₱0.60 million and ₱1.10 million, respectively. An equal change in the opposite direction would have increased net income and equity by an equal but opposite amount.

Financial Risks
The Association has significant exposure to the following financial risks and from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

There has been no change to the Association's exposure to financial risks (i.e. credit risk, liquidity risk and market risk) or the manner in which it manages and measures the risks since prior financial year.

Credit Risk
Credit risk is the risk of financial loss to the Association if the counterparty to a financial instrument fails to meet its contractual obligations, and arises primarily from the Association's financial assets.

Except for HTM and AFS investments which mature on various dates, all of the Association's financial assets are current. Thus, the credit risk relating to these financial assets is considered small due to the short settlement period involved. The Association's HTM and AFS investments consist primarily of government debt securities. Since these are backed by the full faith and credit of the Philippine Government, these are generally considered to be free of credit risk.

The carrying amounts of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting dates are as follows:

	Note	**2023**	2022
Cash and cash equivalents*	6	**₱137,358,108**	₱153,698,050
Receivables	7	**9,447,299**	7,426,371
AFS financial assets**	8	**942,423,339**	955,610,827
HTM investments	9	**182,002,599**	181,610,384
Other assets***	23	**794,321**	628,953
		₱1,272,025,666	₱1,298,974,585

**Excluding cash on hand.*
***Excluding equity securities.*
****Excluding prepaid expenses and fidelity bond deposits.*

The Association's concentration of credit risk arising from its investments in government debt securities which represents 65.38% and 65.67% of its total financial assets as at December 31, 2023 and 2022, respectively, are as follows:

	Note	**2023**	2022
AFS - Government debt securities	8	**₱649,682,657**	₱671,407,471
HTM investments	9	**182,002,599**	181,610,384
		₱831,685,256	₱853,017,855

The table below provides information regarding the credit risk exposure of the Association as at December 31, 2023 and 2022 by classifying assets according to the Association's credit grading of counterparties.

	2023				
	Neither Past Due nor Impaired				
	Investment High-grade	**Non-investment Grade-Satisfactory**	**Total Financial Assets Neither Past Due nor Impaired**	**Past Due and Impaired**	**Total**
Cash and cash equivalents*	**₱137,358,108**	**₱–**	**₱137,358,108**	**₱–**	**₱137,358,108**
Receivables	**–**	**9,447,299**	**9,447,299**	**–**	**9,447,299**
AFS financial assets**	**942,423,339**	**–**	**942,423,339**	**–**	**942,423,339**
HTM investments	**182,002,599**	**–**	**182,002,599**	**–**	**182,002,599**
Other assets***	**–**	**794,321**	**794,321**	**–**	**794,321**
	₱1,261,784,046	**₱10,241,620**	**₱1,272,025,666**	**₱–**	**₱1,272,025,666**

**Excluding cash on hand.*
***Excluding equity securities.*
****Excluding prepaid expenses and fidelity bond deposits.*

	2022				
	Neither Past Due nor Impaired				
	Investment High-grade	Non-investment Grade-Satisfactory	Total Financial Assets Neither Past Due nor Impaired	Past Due and Impaired	Total
Cash and cash equivalents*	₱153,698,050	₱–	₱153,698,050	₱–	₱153,698,050
Receivables	–	7,426,371	7,426,371	–	7,426,371
AFS financial assets**	955,610,827	–	955,610,827	–	955,610,827
HTM investments	181,610,384	–	181,610,384	–	181,610,384
Other assets***	–	628,953	628,953	–	628,953
	₱1,290,919,261	₱8,055,324	₱1,298,974,585	₱–	₱1,298,974,585

**Excluding cash on hand.*
***Excluding equity securities.*
****Excluding prepaid expenses and fidelity bond deposits.*

The Association has no past due and impaired financial assets as at December 31, 2023 and 2022.

The Association uses a credit grading system based on the borrowers and counterparties overall credit worthiness, as described below:

Investment High - Grade - This pertains to accounts with a very low probability of default as demonstrated by the borrower's strong financial position and reputation. The borrower has the ability to raise substantial amounts of funds through credit facilities with financial institutions. The borrower has a strong debt service record and a moderate use of leverage.

Non-investment Grade - Satisfactory - This pertains to current accounts with no history of default or which may have defaulted in the past, but the conditions and circumstances directly affecting the borrower's ability to pay has abated already. The borrower is expected to be able to adjust to the cyclical downturns in its operations. Any prolonged adverse economic conditions would however ostensibly create profitability and liquidity issues. The use of leverage may be above industry or credit standards but remains stable.

Past Due and Impaired - This pertains to the allowance for impairment loss that the Association recognizes due to the uncertainty of the collectability of the Association's receivables.

Liquidity Risk
Liquidity risk is the risk that the Association will not be able to meet its financial obligations as they fall due. The Association's approach in managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Association's reputation.

The Association prepares weekly cash position report and weekly check disbursement forecast, which assists in monitoring cash flow requirements. Typically, the Association ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot be predicted.

The maturity profile of the Association's financial liabilities that has contractual maturities of one year or less as at December 31, 2023 and 2022 are as follows:

		2023	
	Note	**Carrying Amount**	**Contractual Cash Flow**
Accrued expenses and other liabilities*	12	**₱14,844,298**	**₱14,844,298**
Claims payable	13	**236,458,689**	**236,458,689**
Equity value reserves	15	**55,776,730**	**55,776,730**
		₱307,079,717	**₱307,079,717**

**Excluding payables to government agencies*

		2022	
	Note	Carrying Amount	Contractual Cash Flow
Accrued expenses and other liabilities*	12	₱46,757,579	₱46,757,579
Claims payable	13	218,336,163	218,336,163
Equity value reserves	15	67,375,680	67,375,680
		₱332,469,422	₱332,469,422

**Excluding payables to government agencies*

Market Risk
Market risk is the risk that causes changes in market prices, such as interest rate and equity price risks. This will affect the Association's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market exposures within acceptable parameters, while optimizing the return. The Association's exposure to currency risk was assessed by management to be insignificant.

Interest Rate Risk
There are two types of interest rate risk:

- *Fair Value Interest Rate Risk* - the risk that the value of a financial instrument will fluctuate because of changes in market interest rates; and

- *Cash Flow Interest Rate Risk* - the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Significant portion of the Association's investments is composed of interest- bearing debt instruments carried at fair value. As a result, the Association is exposed to fair value interest rate risk. The Association's interest-bearing financial instruments exposed to interest rate risks as at December 31, 2023 and 2022 are as follows:

	Note	2023	2022
Cash and cash equivalents*	6	**₱137,358,108**	₱153,698,050
AFS financial assets**	8	**942,423,339**	955,610,827
HTM investments	9	**182,002,599**	181,610,384
		₱1,261,784,046	₱1,290,919,261

**Excluding cash on hand.*
***Excluding equity securities.*

The following table demonstrates Association's best estimate of the sensitivity to reasonable possible change in interest rates, with all other variables held constant, to the Association's net income and equity as at December 31:

	Change in Basis Points (bps)	Effect on Net Income/Equity
2023	Increase by 13 bps	**₱1,640,319**
	Decrease by 13 bps	**(1,640,319)**
2022	Increase by 13 bps	₱1,678,195
	Decrease by 13 bps	(1,678,195)

The Association does not carry debt instrument with variable interest rate and, thus, is not exposed to cash flow interest rate risk.

Interest rate risk is mitigated by the Association's BOT by constructing a portfolio of debenture instruments with diversified maturities. Any excess cash of the Association are temporarily invested in time deposits with the term to maturity of 35 days up to 3 months and later placed in instruments with longer tenors.

The Association believes that the analysis above is representative of the interest rate risk.

Equity Price Risk
Equity price risk is the risk that value of the instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

The Association's equity price risk exposure relates to equity securities designated as AFS financial assets with carrying amount of ₱126.93 million and ₱24.19 million as at December 31, 2023 and 2022, respectively (Note 8). The value of these equity securities will fluctuate with changes in market conditions.

An average of 2.66% decrease (2022: 11.71% decrease) in stock prices would have increased (decreased) equity by ₱3.37 million as at December 31, 2023 (2022: ₱2.83 million), with all variables remaining constant. An equal change in the opposite direction would have increased equity by an equal but opposite amount.

In 2023 and 2022, the Association determined the reasonably possible change in Philippine Stock Exchange (PSE) Index based on the historical fluctuation of equity securities the Association holds as of the reporting date.

Deferral of PFRS 9

The Association applies the temporary exemption from PFRS 9 as permitted by the amendments to PFRS 4, Applying PFRS 9 with PFRS 4 and has elected to defer the application of PFRS 9 until the Association adopts PFRS 17 pertaining to Insurance Contracts.

Under the amended PFRS 4, an entity has to prove that its activities are predominantly connected with insurance. This condition is met if the carrying amount and the percentage of its liabilities arising from contracts within the scope of PFRS 4 is significant or greater than 90% relative to the total carrying amount of all its liabilities or less than or equal to 90% but greater than 80%, and the insurer does not engage in a significant activity unconnected with insurance.

The Association performed the predominance assessment and concluded that it qualified for the temporary exemption from PFRS 9. As at December 31, 2015, the Association's total carrying amount of liabilities connected with insurance amounted to ₱347.18 million which represented more than 89.45% of its total liabilities of ₱388.11 million and the Association is not connected to any significant activity other than insurance. The Association did not subsequently reassess its eligibility for the temporary exemption from PFRS 9 as there was no change in the Association's activities for the year ended December 31, 2023.

The following table provides an overview of the fair values as at December 31, 2023 and 2022, and the amounts of changes in the fair values during the reporting period separately for financial assets that meet the SPPI criterion (i.e. financial assets with contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, excluding any financial asset that meets the definition of held for trading in PFRS 9, or that is managed and whose performance is evaluated on a fair value basis) and all other financial assets:

		2023			
		Financial assets that meet the SPPI criteria*		**All other financial assets**	
	Note	**Fair Value**	**Fair Value Change during the Reporting Period**	**Fair Value**	**Fair value Change during the Reporting Period**
Cash and cash equivalents*	6	**₱137,358,108**	**₱–**	**₱–**	**₱–**
AFS financial assets**	8	**–**	**–**	**1,069,358,251**	**41,165,013**
HTM investments	9	**182,002,599**	**369,115**	**–**	**–**
Receivables	7	**9,447,299**	**–**	**–**	**–**
Other assets***		**794,321**	**–**	**–**	**–**
		₱329,602,327	**₱369,115**	**₱1,069,358,251**	**₱41,165,013**

**Excluding cash on hand.*
***Excluding any financial asset that meets the definition of held for trading in PFRS 9, or that is managed and whose performance is evaluated on a fair value basis.*
****Excluding prepaid expenses and fidelity bond deposits.*

		2022			
		Financial assets that meet the SPPI criteria*		All other financial assets	
	Note	Fair Value	Fair Value Change during the Reporting Period	Fair Value	Fair value Change during the Reporting Period
Cash and cash equivalents*	6	₱153,698,050	₱–	₱–	₱–
AFS financial assets**	8	–	–	979,802,040	109,993,518
HTM investments	9	181,610,384	323,435	–	–
Receivables	7	7,426,371	–	–	–
Other assets***		628,953	–	–	–
		₱343,363,758	₱323,435	₱979,802,040	₱109,993,518

**Excluding cash on hand.*
***Excluding any financial asset that meets the definition of held for trading in PFRS 9, or that is managed and whose performance is evaluated on a fair value basis.*
****Excluding prepaid expenses and fidelity bond deposits.*

5. Fair Value Measurements and Disclosures

A number of the Association's accounting policies and disclosures require the determination of fair values, for both financial assets and financial liabilities.

Fair values have been determined for measurement and/or disclosure purposes based on the methods as described below. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes to the financial statements specific to the assets or liability.

The carrying amounts of the Association's financial instruments such as cash and cash equivalents (excluding cash on hand), receivables, other assets (excluding prepaid expenses and fidelity bond deposits), accrued expenses and other liabilities (excluding payables to government agencies), claims payable, aggregate reserves, and equity value reserves approximate fair value at year-end due to the relatively short-term maturities of these financial assets and liabilities.

AFS financial assets is measured at fair value. The fair values of quoted equity securities were determined by reference to quoted market prices published by PSE. While for debt securities, the market price reference in determining the market value is derived from PHP Bloomberg Valuation Services (BVAL) and Philippine Dealings and Exchange (PDEX) as at December 29, 2023 and December 29, 2022, respectively.

If the market prices are not readily available, fair values are estimated using either values obtained from independent parties offering pricing services or adjusted quoted market prices of comparable investments or using the discounted cash flow methodology.

Investments in unquoted equity instruments for which no reliable basis for fair value measurement is available are carried at cost, net of any allowance for impairment losses.

The carrying amount of the Association's HTM investments approximate its fair value at year end. Management believes that the effect of discounting and future cash flows for these instruments using the prevailing market is not significant.

The recurring fair value of AFS financial assets are determined by reference to quoted market prices, at the close of business on the reporting date.

The fair value of AFS financial assets using Level 1 inputs is ₱1,069.36 million and ₱979.80 million as at December 31, 2023 and 2022, respectively (Notes 8 and 23).

The Association has no financial instruments measured at fair value that are categorized under Level 2 and 3. There has been no transfer between levels in 2023 and 2022.

6. Cash and Cash Equivalents

This account consists of:

	2023	2022
Cash on hand	**₱302,000**	₱317,000
Cash in banks	**36,841,677**	46,489,133
Cash equivalents	**100,516,431**	107,208,917
	₱137,660,108	₱154,015,050

Cash on hand pertains to petty cash fund. Cash in banks earn interest at the prevailing bank deposit rates.

Interest income pertains to the following:

	Note	**2023**	2022
Cash and cash equivalents		**₱4,543,255**	₱428,616
AFS financial assets	8	**42,027,644**	38,285,017
Held-to-maturity investments	9	**5,425,411**	7,154,247
Short-term investments		**13,935**	2,843
Advances to officers and employees	7	**75**	3,175
		₱52,010,320	₱45,873,898

7. Receivables

This account consists of:

	2023	2022
Interest receivables	**₱9,039,301**	₱7,203,667
Advances to officers and employees	**377,316**	184,775
Others	**30,682**	37,929
	₱9,447,299	₱7,426,371

Interest receivables pertain to accrued interest of debt instrument classified as AFS financial assets and HTM investments. Advances to officers and employees were loans and advances granted by the Association to their officers and employees.

Interest income earned on advances to officers and employees amounted to ₱75 and ₱3,175 for the years ended December 31, 2023 and 2022, respectively (see Note 6).

8. **AFS Financial Assets**

This account consists of:

	2023	2022
Government debt securities	**₱649,682,657**	₱671,407,471
Corporate debt securities	**292,740,682**	284,203,356
Equity securities	**126,934,912**	24,191,213
	₱1,069,358,251	₱979,802,040

The reconciliation of the carrying amount of the investments at the beginning and end of the year is shown below:

	2023	2022
Balance at beginning of year	**₱979,802,040**	₱1,079,573,585
Additions	**135,000,000**	320,461,099
Disposals	**(85,025,000)**	(306,064,224)
Net amortization of premium and discount	**(1,583,802)**	(4,174,902)
Net change in fair value reserve on AFS financial assets	**41,165,013**	(109,993,518)
Balance at end of year	**₱1,069,358,251**	₱979,802,040

In 2023 and 2022, the Association recognized interest income on AFS financial assets (net of final tax) amounting to ₱42.03 million and ₱38.29 million, respectively (see Note 6).

Dividend income earned from equity securities amounted to ₱2.66 million and ₱0.76 million for the years ended December 31, 2023 and 2022, respectively.

Proceeds from disposal of AFS financial asset amounted to ₱85.73 million and ₱304.76 million which resulted in a gain on sale of ₱0.70 million and loss on sale of ₱1.30 million for the years ended December 31, 2023 and 2022, respectively.

As at December 31, 2023 and 2022, the fair value reserve on AFS financial assets recognized in statement of assets, liabilities and fund balance amounted to loss of ₱68.47 million and ₱109.64 million, respectively.

Below is the roll forward analysis of the account.

	2023	2022
Balance at beginning of year	**(₱109,639,541)**	₱353,977
Net change in fair value reserve of AFS financial assets	**41,165,013**	(109,993,518)
Balance at end of year	**(₱68,474,528)**	(₱109,639,541)

9. **HTM Investments**

As at December 31, 2023 and 2022, the reconciliation of the carrying amount of the Association's HTM investments are as follows:

	2023	2022
Balance at beginning of year	**₱181,610,384**	₱182,246,918
Movement in fair value reserves	**369,115**	323,435
Net amortization of premium and discount	**23,100**	(959,969)
Balance at end of year	**₱182,002,599**	₱181,610,384

In 2023 and 2022, the Association recognized interest income on HTM investments (net of final tax) amounting to ₱5.43 million and ₱7.15 million, respectively (see Note 6).

This investment is in compliance with Section 405 of the Insurance Code and Insurance Memorandum Circular 9-2006 requiring all microinsurance mutual benefit associations to establish a Guaranty Fund and to deposit cash or government securities equivalent to the Guaranty Fund with the Bureau of Treasury to cover for any valid benefit claim of any of its members. The HTM investments will be re-invested in similar instruments upon maturity.

In previous years, the Association reclassified certain AFS financial assets to HTM investments to comply with the requirement of the IC that the Association should maintain enough reserves in the form of government securities, which are to be held to maturity, to satisfy any valid benefit claim of its members.

Below is the information of the outstanding HTM investments reclassified out of AFS financial assets.

Date of Reclassification	Maturity Date	Effective Interest Rate as at Date of Reclassification	Estimated Cash Flows to be Recovered upon Maturity	Carrying Amount as at Date of Reclassification
September 26, 2012	March 1, 2027	5.38%	₱13,000,000	₱13,000,000
August 23, 2013	March 1, 2027	5.35%	10,966,000	10,995,750
January 29, 2014	October 24, 2037	5.14%	10,150,500	11,495,005
October 7, 2015	February 2, 2032	4.15%	12,178,000	14,387,263
February 22, 2016	September 9, 2040	5.00%	49,553,200	47,999,918
November 22, 2017	October 24, 2037	4.70%	75,000,000	88,149,813
			₱170,847,700	₱186,027,749

10. **Property and Equipment**

The details and movements of this account are as follows:

	2023					
	Office Furniture and Fixtures	**Transportation and Equipment**	**Office Equipment**	**Building and Improvements**	**Computer Software**	**Total**
Cost						
Balances at beginning of year	**₱4,123,012**	**₱1,700,000**	**₱13,540,383**	**₱325,979**	**₱7,193,116**	**₱26,882,490**
Additions	**96,550**	**3,531,532**	**2,098,485**	**–**	**–**	**5,726,567**
Retirement	**(87,149)**	**–**	**(37,553)**	**–**	**(17,474)**	**(142,176)**
Balances at end of year	**4,132,413**	**5,231,532**	**15,601,315**	**325,979**	**7,175,642**	**32,466,881**
Accumulated Depreciation						
Balances at beginning of year	**4,049,471**	**1,699,998**	**12,307,622**	**325,979**	**7,158,946**	**25,542,016**
Depreciation	**129,658**	**176,577**	**891,956**	**–**	**24,725**	**1,222,916**
Retirement	**(87,149)**	**–**	**(37,553)**	**–**	**(17,474)**	**(142,176)**
Balances at end of year	**4,091,980**	**1,876,575**	**13,162,025**	**325,979**	**7,166,197**	**26,622,756**
Carrying Amount	**₱40,433**	**₱3,354,957**	**₱2,439,290**	**₱–**	**₱9,445**	**₱5,844,125**

	2022					
	Office Furniture and Fixtures	Transportation and Equipment	Office Equipment	Building and Improvements	Computer Software	Total
Cost						
Balances at beginning of year	₱4,828,774	₱1,700,000	₱13,643,134	₱325,979	₱7,458,732	₱27,956,619
Additions	5,350	–	1,559,424	–	–	1,564,774
Disposals/Retirement	(711,112)	–	(1,662,175)	–	(265,616)	(2,638,903)
Balances at end of year	4,123,012	1,700,000	13,540,383	325,979	7,193,116	26,882,490
Accumulated Depreciation						
Balances at beginning of year	4,695,868	1,664,998	13,103,691	325,979	7,363,006	27,153,542
Depreciation	64,715	35,000	825,107	–	61,556	986,378
Disposals/Retirement	(711,112)	–	(1,621,176)	–	(265,616)	(2,597,904)
Balances at end of year	4,049,471	1,699,998	12,307,622	325,979	7,158,946	25,542,016
Carrying Amount	₱73,541	₱2	₱1,232,761	₱–	₱34,170	₱1,340,474

Depreciation recognized in profit or loss consist of the following amounts:

	Note	**2023**	2022
Property and equipment		**₱1,222,916**	₱986,378
Investment property	11	**493,181**	493,181
		₱1,716,097	₱1,479,559

In 2023 and 2022, the Association has retired and disposed various items of property and equipment without gain or loss. The disposals in 2022 resulted to net proceeds of ₱40,999, which is equal to the carrying amount of the disposed items.

Fully depreciated property and equipment with cost of ₱24.52 million and ₱24.65 million as at December 31, 2023 and 2022, respectively, are still being used by the Association.

11. Investment Properties

As at December 31, the movements of the account are as follows:

	Note		2023	
		Land	**Building**	**Total**
Cost				
Balances at beginning and end of year		**₱52,728,392**	**₱4,931,818**	**₱57,660,210**
Accumulated Depreciation				
Balances at beginning of year		**–**	**1,972,726**	**1,972,726**
Depreciation	10	**–**	**493,181**	**493,181**
Balances at end of year		**–**	**2,465,907**	**2,465,907**
Carrying Amount		**₱52,728,392**	**₱2,465,911**	**₱55,194,303**

	Note		2022	
		Land	Building	Total
Cost				
Balances at beginning and end of year		₱52,728,392	₱4,931,818	₱57,660,210
Accumulated Depreciation				
Balances at beginning of year		–	1,479,545	1,479,545
Depreciation	10	–	493,181	493,181
Balances at end of year		–	1,972,726	1,972,726
Carrying Amount		₱52,728,392	₱2,959,092	₱55,687,484

As at December 31, 2023 and 2022, the cost of investment property approximates the fair value of investment property based on management estimates. The fair value of the properties was arrived at using the market approach. In this approach, the value of the properties was based on sales and listings of comparable property registered within the vicinity. The properties used as bases of comparison are situated within the immediate vicinity of the subject properties. The comparison was premised on the factors of time, unit area or size, building age, unit improvements, building location, building features or amenities, bargaining allowance and others.

The fair value of the investment property is categorized under the Level 2 of the fair value hierarchy.

As at December 31, 2023 and 2022, no impairment is recognized for the Association's investment property.

In 2023 and 2022, no rental income was earned from investment properties.

12. Accrued Expenses and Other Liabilities

As at December 31, this account consists of:

	2023	2022
Accrued expenses	**₱14,844,298**	₱46,757,579
Payables to government agencies	**702,479**	1,211,665
	₱15,546,777	₱47,969,244

Accrued expenses pertains to liabilities on utilities and services incurred and transactions with Tulay Sa Pag-Unlad Inc. (TSPI) NGO.

Payables to government agencies include payables to Bureau of Internal Revenue (BIR), PhilHealth, Pag-IBIG Fund and Social Security System.

13. **Claims Payable**

As at December 31, this account consists of:

	2023	2022
Claims payable - equity value and interest	**₱232,725,245**	₱214,779,563
IBNR claims	**3,200,000**	3,200,000
Claims due and unpaid/resisted	**533,444**	356,600
	₱236,458,689	₱218,336,163

As discussed in Note 2, the Association transferred equity value and interest of inactive members amounting to ₱18.26 million and ₱50.21 million in 2023 and 2022, respectively (Note 15). The entire amount is presented in Claims payable - equity value and interest. Moreover, there are no equity value reserves transferred to the general fund balance.

Movements in IBNR claims are as follows:

	2023	2022
Balance at beginning of year	**₱3,200,000**	₱3,500,000
Decrease in IBNR	**–**	(300,000)
Balance at end of year	**₱3,200,000**	₱3,200,000

Claims due and unpaid/resisted consists of claims payable for:

	2023	2022
Basic life	**₱95,094**	₱69,500
Credit life	**175,000**	88,200
Life maximum benefit	**150,000**	128,900
Life plus benefit	**70,000**	70,000
Golden Life Insurance Plan (GLIP) Basic	**2,950**	–
GLIP optional	**20,000**	–
Mortgage Redemption Insurance Benefits	**20,400**	–
	₱533,444	₱356,600

Movements in claims due and unpaid/resisted are as follows:

	2023	2022
Balance at beginning of year	**₱356,600**	₱600,919
Claims and benefits incurred	**40,265,617**	38,370,822
Claims and benefits paid	**(40,088,773)**	(38,615,141)
Balances at end of year	**₱533,444**	₱356,600

Claims and benefits expense recognized in profit or loss follows:

	2023	2022
Claims and benefits incurred	**₱40,265,617**	₱38,370,822
Decrease in IBNR	**–**	(300,000)
	₱40,265,617	₱38,070,822

14. **Aggregate Reserves**

In compliance with Section 410 of the Insurance Code, the Association accumulates and maintains, out of the periodic members' contributions and premiums collected, sufficient reserves for future contractual obligations for which it holds funds in securities satisfactory to the Insurance Commissioner consisting of bonds of the Government of the Philippines, or any of its political subdivisions and instrumentalities, or other good securities as may be approved by the Insurance Commissioner. Moreover, the said reserve liability established in accordance with actuarial procedures is approved by the Insurance Commission.

The movement of the account follows:

	2023	2022
Balance at beginning of the year	**₱42,494,659**	₱32,305,799
Increase (decrease) during the year	**(14,068,897)**	10,188,860
Balance at end of year	**₱28,425,762**	₱42,494,659

15. **Equity Value Reserves**

In compliance with Section 409 of the Insurance Code, the Association maintains an equity value reserves of 50% of the total mandatory members' contributions collected thereon.

The mandatory members' contributions collected amounting to ₱37.42 million and ₱56.24 million has a corresponding additional equity value reserve of ₱18.71 million and ₱28.12 million in 2023 and 2022, respectively.

The table below shows the roll forward analysis of the account as at December 31, 2023 and 2022.

	Note	**2023**	2022
Balance at beginning of year		**₱67,375,680**	₱96,708,343
Increase in equity value		**18,708,293**	28,120,076
Refund of equity value		**(12,404,445)**	(7,783,816)
Reclassification to claims payable	13	**(18,259,687)**	(50,207,146)
Interest on EV - Basic Life Insurance Plan (BLIP)/GLIP included in the Equity Value Reserves		**356,889**	538,223
		₱55,776,730	₱67,375,680

Interest expense on equity value reserves amounted to ₱0.36 million and ₱0.54 million for the years ended December 31, 2023 and 2022, respectively.

16. **Guaranty Fund Reserves**

As a microinsurance mutual benefit association, the Association is required to maintain a Guaranty Fund amounting to ₱5.00 million, and every year thereafter, increase its Guaranty Fund by an amount equivalent to 5.00% of gross premium collections until the amount of the Guaranty Fund reaches 25.00% of the required net worth for existing domestic life insurance companies.

As at December 31, 2023 and 2022, the guaranty fund reserves amounted to ₱159.49 million and ₱152.69 million, respectively.

The Guaranty fund shall be deposited with the IC in cash, or in government securities with a total value equal to such amount. As at December 31, 2023 and 2022, the Association has restricted investments of ₱182.00 million and ₱181.61 million, respectively, with the Bureau of Treasury to cover for any valid benefit claim of any of its members (Notes 9 and 23).

The amount transferred from general fund to guaranty fund reserves amounted to ₱6.80 million and ₱9.38 million in 2023 and 2022, respectively (Note 17).

17. **General Fund Balance**

Section 408 of the Insurance Code requires a mutual benefit association to only maintain free and unassigned surplus of not more than twenty percent (20%) of its total liabilities as verified by the Insurance Commission. Any amount in excess shall be returned to the members by way of dividends, enhancing the equity value or providing benefits in kind and other relevant services. As at December 31, 2023 and 2022, the Association has an excess general fund balance amounting to ₱119.57 million and ₱113.82 million, respectively, which will be appropriated by the Association in the subsequent periods.

The roll forward analysis of the account as at December 31, 2023 and 2022 are as follows:

	Note	**2023**	2022
Beginning balance		**₱189,055,351**	₱156,538,064
Net income for the year		**79,284,499**	81,092,863
Transfer to guaranty fund	16	**(6,801,602)**	(9,375,321)
Transfer to funds assigned for members benefits		**(55,392,054)**	(30,600,449)
Transfer to funds assigned for capacity building		**(23,739,452)**	(13,114,478)
Transfer to general fund for utilization of funds assigned for members' benefits and capacity building		**4,348,251**	1,601,522
Transfer of forfeited equity value		**–**	2,913,150
		₱186,754,993	₱189,055,351

18. **Retirement Benefit**

The Association has a funded, noncontributory defined benefit retirement plan covering all regular employees. Contributions and costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined by an independent actuary using the projected unit credit method. The actuarial valuation is made on an annual basis and the latest actuarial valuation was made as at December 31, 2023.

The Plan entitles a retired employee to receive a lump sum pension payment. Employees who retire at the normal age of 60 with at least five (5) years of credited service are entitled to receive payment equal to 100% of the latest monthly salary per year of service.

Employees may elect to retire with the consent of the Association prior to their normal retirement date provided he is at least 50 years old and has completed at least 10 years of credited service.

Employees who are allowed by the Association to continue to work on a yearly extension basis beyond their normal retirement age shall continue to be a member of the plan until they retire. However, the benefit shall be computed only up to the employee's normal retirement date.

The Plan is registered with the BIR as a tax-qualified plan under Republic Act No. 4917, an act providing that retirement benefits of employees of private firms shall not be subject to attachment, levy, execution, or any tax whatsoever, as amended. The control and administration of the plan is vested in the BOT. The retirement plan is being administered by its trustee, BPI Asset Management and Trust Corporation.

The following table shows the reconciliation from the opening balances to the closing balances of the net retirement asset and its components.

	Defined Benefit Obligation		**Fair Value of Plan Assets**		**Net Retirement (Asset) Liability**	
	2023	2022	**2023**	2022	**2023**	**2022**
Balance at January 1	**₱4,469,255**	₱4,929,975	**₱7,916,848**	₱7,481,528	**(₱3,447,593)**	(₱2,551,553)
Included in Profit or Loss						
Current service cost	**458,748**	533,016	**–**	–	**458,748**	533,016
Interest cost	**328,962**	254,634	**807,886**	586,175	**(478,924)**	(331,541)
Effect of asset ceiling	**–**	–	**(225,162)**	(199,753)	**225,162**	199,753
	787,710	787,650	**582,724**	386,422	**204,986**	401,228
Included in Other Comprehensive Income (Loss)						
Remeasurement loss (gain) arising from:						
Financial assumptions	**574,889**	(1,074,679)	**–**	–	**574,889**	(1,074,679)
Experience adjustment	**(205,428)**	(173,691)	**–**	–	**(205,428)**	(173,691)
Return on plan assets excluding interest income	**–**	–	**(46,603)**	(959,238)	**46,603**	959,238
Changes in the effect of asset ceiling	**–**	–	**(222,861)**	1,008,136	**222,861**	(1,008,136)
	369,461	(1,248,370)	**(269,464)**	48,898	**638,925**	(1,297,268)
Balance at December 31	**₱5,626,426**	₱4,469,255	**₱8,230,108**	₱7,916,848	**(₱2,603,682)**	(₱3,447,593)

The changes in the effect of asset ceiling are as follows:

	2023	2022
Balance at beginning of year	**₱3,059,039**	₱3,867,422
Remeasurement gain (loss) on the change in the effect of asset ceiling	**222,861**	(1,008,136)
Interest expense on effect of asset ceiling	**225,162**	199,753
	₱3,507,062	₱3,059,039

The Association's plan assets consist of the following:

	2023	2022
Unit investment trust funds	**₱11,736,932**	₱10,975,585
Cash	**238**	302
	₱11,737,170	₱10,975,887

The table below shows the roll forward analysis of remeasurement gain (loss) on retirement asset account presented under the statement of assets, liabilities and fund balance as at December 31, 2023 and 2022.

	2023	2022
Beginning balance	**(₱1,508,541)**	(₱2,805,809)
Remeasurement gain (loss) on the change in the effect of asset ceiling	**(638,925)**	1,297,268
Ending balance	**(₱2,147,466)**	(₱1,508,541)

The expected contribution to the defined benefit retirement plan in 2024 is ₱8.13 million.

Assumptions regarding future mortality have been based on the 2001 CSO Table - Generational mortality table. The current members' longevity is at ages 33.78 and 33.23 in December 31, 2023 and 2022, respectively. The weighted-average duration of the defined benefit obligation is 16.28 years and 16.71 years as at December 31, 2023 and 2022, respectively.

Maturity analysis of the benefit payments:

	2023				
	Carrying Amount	**Contractual Cash Flows**	**Within 1 Year**	**Within 1 – 5 Years**	**More than 5 Years**
Defined benefit obligation	**₱5,626,426**	**₱8,125,175**	**₱402,765**	**₱1,777,682**	**₱5,944,728**

	2022				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1 – 5 Years	More than 5 Years
Defined benefit obligation	₱4,469,255	₱6,852,458	₱211,463	₱1,618,804	₱5,022,191

The following were the principal actuarial assumptions at the reporting date:

	2023	2022
Discount rate	**6.16%**	7.36%
Future salary growth	**5.00%**	5.00%

Sensitivity Analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	2023	
	Defined Benefit Obligation	
	Increase	**Decrease**
Discount rate (1% movement)	**(₱485,574)**	**₱557,796**
Future salary growth (1% movement)	**500,354**	**(445,642)**

	2022	
	Defined Benefit Obligation	
	Increase	Decrease
Discount rate (1% movement)	(₱390,283)	₱447,921
Future salary growth (1% movement)	407,644	(362,932)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

These defined benefit plans expose the Association to actuarial risks, such as longevity risk, interest rate risk, and market (investment) risk.

The Association is not required to pre-fund the future defined benefits payable under the Retirement Plan before they become due. For this reason, the amount and timing of contributions to the plan assets are at the Association's discretion. However, in the event a benefit claim arises and the plan assets is insufficient to pay the claim, the shortfall will then be due and payable from the Association to the plan assets.

19. Repairs and Maintenance

This account consists of:

	2023	2022
Repairs and maintenance	**₱2,354,615**	₱2,858,124
Service fees	**1,414,832**	2,835,941
	₱3,769,447	₱5,694,065

Repairs and maintenance pertain to the expenses incurred to restore the property and equipment to its previous operating condition or keep them in its current operating condition.

Service fees represent the amount paid to cover the cost of providing services to a building for its maintenance and minor improvements.

20. Salaries and Other Employee Benefits

The account consists of:

	Note	2023	2022
Salaries		**₱5,330,789**	₱5,349,299
Bonuses		**1,051,313**	1,547,720
Contribution to SSS, PhilHealth and Pag-IBIG		**521,151**	506,850
Retirement expense	18	**204,986**	401,228
Staff training expenses		**199,895**	130,275
Employees' leave conversion		**164,894**	176
Others		**451,332**	240,758
		₱7,924,360	₱8,176,306

Salaries pertain to the basic salaries of employees not directly related to underwriting of policies and claims handling activities (support employees) of the Association.

Bonuses consist of the 13th month pay and other bonuses paid to the support employees.

Others includes other benefits granted to support employees.

21. Other Direct Costs

This account consists of:

	Note	2023	2022
Direct salaries and benefits expenses		**₱21,413,176**	₱23,386,035
Collection fees	24	**21,273,870**	29,824,722
Membership enrollment and marketing fees		**5,502,076**	8,603,939
Other member benefit		**2,819,918**	1,648,111
		₱51,009,040	₱63,462,807

Direct salaries and benefits expenses represent the salaries of officers and employees directly related to the underwriting of policies and claims handling activities of the Association.

Collection fees represent the amount paid to TSPI NGO for collection services as stated in the Memorandum of Agreement between the two (2) parties (Note 24).

Membership enrollment and marketing fees pertain to the amount paid to insurance officers in marketing the product, including member mobilization, and production of policy forms and promotional materials of the Association.

22. Miscellaneous

This account consists of:

	2023	2022
Investment management fees	**₱219,188**	₱238,536
Bank and other charges	**101,077**	98,894
Insurance expense	**55,235**	38,364
	₱375,500	₱375,794

23. Maturity Analysis of Financial and Non-financial Assets and Liabilities

The tables below show an analysis of assets and liabilities as at December 31, 2023 and 2022 analyzed according to when they are expected to be recovered or settled within one year and beyond one year from the reporting date:

		2023		
	Note	**Due Within 1 year**	**Due Beyond 1 year**	**Total**
Financial Assets:				
Cash and cash equivalents	6	**₱137,660,108**	**₱–**	**₱137,660,108**
AFS financial assets	8	**–**	**1,069,358,251**	**1,069,358,251**
HTM investments	9	**–**	**182,002,599**	**182,002,599**
Receivables	7	**9,447,299**	**–**	**9,447,299**
Other assets	4	**794,321**	**–**	**794,321**
		147,901,728	**1,251,360,850**	**1,399,262,578**
Non-Financial Assets:				
Property and equipment	10	**–**	**5,844,125**	**5,844,125**
Investment properties	11	**–**	**55,194,303**	**55,194,303**
Net retirement asset	18	**–**	**2,603,682**	**2,603,682**
Other assets		**1,699,103**	**–**	**1,699,103**
		1,699,103	**63,642,110**	**65,341,213**
		₱149,600,831	**₱1,315,002,960**	**₱1,464,603,791**
Financial Liabilities:				
Accrued expenses	12	**₱14,844,298**	**₱–**	**₱14,844,299**
Claims payable	13	**236,458,689**	**–**	**236,458,689**
Equity value reserves	15	**55,776,730**	**–**	**55,776,730**
		307,079,717	**–**	**307,079,718**
Non-Financial Liabilities:				
Payables to government agencies	12	**702,479**	**–**	**702,479**
Aggregate reserves	14	**28,425,762**	**–**	**28,425,762**
		29,128,241	**–**	**29,128,241**
		₱336,207,958	**₱–**	**₱336,207,959**

		2022		
	Note	Due Within 1 year	Due Beyond 1 year	Total
Financial Assets:				
Cash and cash equivalents	6	₱154,015,050	₱–	₱154,015,050
AFS financial assets	8	–	979,802,040	979,802,040
HTM investments	9	–	181,610,384	181,610,384
Receivables	7	7,426,371	–	7,426,371
Other assets	4	628,953	–	628,953
		162,070,374	1,161,412,424	1,323,482,798
Non-Financial Assets:				
Property and equipment	10	–	1,340,474	1,340,474
Investment properties	11	–	55,687,484	55,687,484
Net retirement asset	18	–	3,447,593	3,447,593
Other assets		433,528	–	433,528
		433,528	60,475,551	60,909,079
		₱162,503,902	₱1,221,887,975	₱1,384,391,877
Financial Liabilities:				
Accrued expenses	12	₱46,757,579	₱–	₱46,757,579
Claims payable	13	218,336,163	–	218,336,163
Equity value reserves	15	67,375,680	–	67,375,680
		332,469,422	–	332,469,422
Non-Financial Liabilities:				
Payables to government agencies	12	1,211,665	–	1,211,665
Aggregate reserves	14	42,494,659	–	42,494,659
		43,706,324	–	43,706,324
		₱376,175,746	₱–	₱376,175,746

24. Related Party Transactions

The Association has transactions and balances with related parties as follows:

Category/Transaction	**Note**	**Year**	**Amount of the Transaction**	**Due from (to) Related Parties**	**Terms**	**Conditions**
Entity under Common Key Management						
a. Members' contributions and premiums collected	24a	**2023**	**₱143,901,994**	**(₱40,403)**	**Payable on demand; non-interest bearing**	**Unsecured; no impairment**
	24a	2022	198,462,150	41,528	Payable on demand; non-interest bearing	Unsecured; no impairment
b. Claims and benefits paid	24b	**2023**	**40,088,773**	**(823,508)**	**Payable on demand; non-interest bearing**	**Unsecured**
	24b	2022	38,615,141	(1,024,848)	Payable on demand; non-interest bearing	Unsecured
c. Collection fees	24c, 21	**2023**	**21,273,870**	**(229,091)**	**Payable on demand; non-interest bearing**	**Unsecured**
	24c, 21	2022	29,824,722	–	Payable on demand; non-interest bearing	Unsecured
d. Remittance of loan payments	24d	**2023**	**38,974,948**	**–**	**Payable on demand; non-interest bearing**	**Unsecured**
	24d	2022	–	–	Payable on demand; non-interest bearing	Unsecured
		2023		**(₱1,093,002)**		
		2022		(₱983,320)		

Outstanding receivables from and payables to related parties are expected to be settled in cash. The outstanding balance of payables to related parties as at December 31, 2023 and 2022 are presented as part of “Accrued expenses and other liabilities” account in the statement of financial position.

24a. TSPI NGO, an entity with the same key management as the Association, is a nonstock, nonprofit organization, whose mission is to provide individuals and communities the opportunity to experience fullness of life through small and micro-enterprise development. Effective January 1, 2007, TSPI collects members’ contributions and premiums from the Association’s members. As at December 31, 2023 and 2022, the outstanding balance owed (receivable) to (from) TSPI NGO amounted ₱40,403 and (₱41,528), respectively.

24b. TSPI NGO also settles claims to the beneficiaries of members on behalf of the Association using the members’ contributions and premiums collected. In instances where the claims to be settled exceeds the amount of members’ contributions and premiums collected, TSPI advances the payment of claims to the beneficiaries. Starting 2021, the Association directly settles claims to the beneficiaries. As at December 31, 2023 and 2022, the outstanding balance of ₱0.82 million and ₱1.02 million, respectively, represents the remaining settlement claims paid in advance by TSPI.

24c. TSPI NGO provides the promotion and marketing of the Association’s products to the TSPI’s microfinance clients including collection of members’ contributions and premiums for the said products of the Association. The Association reimburses the marketing and sales expenses incurred by TSPI on behalf of the Association. Effective September 27, 2017, TSPI charges the Association 15% service fee based on members’ contributions and premiums collected for the services rendered for the Association.

In 2023 and 2022, marketing and sales expenses amounting to ₱21.27 million and ₱29.82 million, respectively, were recognized as part of “Collection fees” in “Other direct costs” account in profit or loss (Note 21). As at December 31, 2023 and 2022, the outstanding balance owed to TSPI amounted ₱229,091 and nil, respectively.

24d. The Association and TSPI NGO entered into service level agreement for the deposit accommodation of Association’s members to pay for their TSPI loans. The Association depository accounts may accommodate the Association’s members’ payment of TSPI loans dues as a means to assist the members. The settlement of loan payments of members is remitted to TSPI in accordance with settlement process whereby funds received by the Association is transferred to TSPI for proper application to the TSPI loan dues of the members.

Compensation of Key Management Personnel

Total short-term remuneration of the Association’s key management personnel amounted to ₱3.90 million and ₱4.60 million for the years ended December 31, 2023 and 2022, respectively, and are recorded under “Salaries and other employee benefits” in profit or loss. Post-employment benefits amounted to ₱0.81 million and ₱0.64 million for the years ended December 31, 2023 and 2022, respectively.