STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **TSPI Mutual Benefit Association, Inc.** (herein referred to as the **Association**), is responsible for the preparation and fair presentation of the financial statements as at and for the years ended December 31, 2021 and 2020, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein, 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 to cease operations or has no realistic alternative but to do so.

The Board of Trustees is responsible for overseeing the Association's financial reporting process.

The Board of Trustees reviews and approves the financial statements, including the schedules attached therein and submits the same to the stockholders.

R.G. Manabat & Co., the independent auditors appointed by the stockholders has audited the financial statements of the Association in accordance with Philippine Standards on Auditing, and in its report to the members, has expressed its opinion on the fairness of presentation upon completion of such audit.

Ma. Luz A. Planas
Chairman of the Board

Alice Z. Cordero
President/Chief Executive Officer

Florencia G. Tarriela
Treasurer

Signed this 27th day of April 2022

TSPI MUTUAL BENEFIT ASSOCIATION, INC.

(A Nonstock, Nonprofit Organization)

FINANCIAL STATEMENTS
December 31, 2021 and 2020

With Independent Auditors' Report

R.G. Manabat & Co.
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Philippines 1209
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REPORT OF INDEPENDENT AUDITORS

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of TSPI Mutual Benefit Association, Inc. (the Association), which comprise the statements of assets, liabilities and fund balance as at December 31, 2021 and 2020, and the statements of comprehensive income, statements of changes in fund balance and statements of cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

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 PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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 PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 and Revenue Regulations 34-2020 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 in Note 27 to the basic 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 supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

R.G. MANABAT & CO.

FLORIZZA C. SIMANGAN
Partner
CPA License No. 0147917
IC Accreditation No. 0147917-IC, Group A, valid for 5-year audit
period (2021 to 2025)
SEC Accreditation No. 147917-SEC, Group A, valid for five (5) years
covering the audit of 2021 to 2025 financial statements
Tax Identification No. 429-267-284
BIR Accreditation No. 08-001987-150-2022
Issued January 27, 2022; valid until January 26, 2025
PTR No. MKT 8854083
Issued January 3, 2022 at Makati City

April 27, 2022
Makati City, Metro Manila

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

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

We have audited the accompanying financial statements of TSPI Mutual Benefit Association, Inc. (the Association) as at and for the year ended December 31, 2021, on which we have rendered our report dated April 27, 2022.

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

R.G. MANABAT & CO.

FLORIZZA C. SIMANGAN
Partner
CPA License No. 0147917
IC Accreditation No. 0147917-IC, Group A, valid for 5-year audit
period (2021 to 2025)
SEC Accreditation No. 147917-SEC, Group A, valid for five (5) years
covering the audit of 2021 to 2025 financial statements
Tax Identification No. 429-267-284
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Issued January 27, 2022; valid until January 26, 2025
PTR No. MKT 8854083
Issued January 3, 2022 at Makati City

April 27, 2022
Makati City, Metro Manila

TSPI MUTUAL BENEFIT ASSOCIATION, INC.
(A Nonstock, Nonprofit Organization)
STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE

		December 31	
	Note	**2021**	2020
ASSETS			
Cash	*7*	**P10,984,300**	P9,598,893
Short-term investments	*8*	**6,904,852**	3,516,532
Receivables	*9*	**7,154,594**	7,365,461
Due from related party	*26*	**4,741,128**	4,950,520
Available-for-sale (AFS) financial assets	*10*	**1,079,573,585**	1,083,212,000
Held-to-maturity (HTM) investments	*11, 18*	**182,246,918**	182,854,372
Property, equipment and computer software	*12*	**803,077**	1,431,624
Investment property	*13*	**56,180,665**	56,673,847
Retirement asset	*20*	**2,551,553**	5,839,483
Other assets		**1,159,511**	1,013,654
		P1,352,300,183	P1,356,456,386
LIABILITIES AND FUND BALANCE			
Liabilities			
Accrued expenses and other liabilities	*14*	**P20,301,850**	P44,421,609
Claims payable	*15*	**170,401,258**	137,723,732
Aggregate reserves	*16*	**32,305,799**	33,575,613
Equity value reserves	*17*	**96,708,343**	110,362,174
Total Liabilities		**319,717,250**	326,083,128
Fund Balance			
Guaranty fund reserves	*18*	**143,317,119**	135,820,452
General fund balance	*19*	**156,538,064**	181,794,357
Funds assigned for members' benefits		**518,402,606**	448,219,503
Funds assigned for capacity building		**222,780,520**	201,286,049
Remeasurement gain (loss) on retirement asset	*20*	**(2,805,809)**	206,839
Fair value reserve on AFS financial assets	*10*	**353,977**	69,373,036
Fair value reserve on AFS assets reclassified as HTM investments		**(6,003,544)**	(6,326,978)
Total Fund Balance		**1,032,582,933**	1,030,373,258
		P1,352,300,183	P1,356,456,386

See Notes to the Financial Statements.

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

STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31	
	Note	**2021**	2020
NET MEMBERS' CONTRIBUTIONS AND PREMIUMS			
Members' contributions and premiums	*26*	**P160,228,398**	P154,233,894
Members' contributions and premiums ceded to reinsurers		**(70,750)**	(158,640)
		160,157,648	154,075,254
CLAIMS, BENEFITS AND OTHER COSTS			
Claims and benefits	*15*	**49,634,071**	46,890,178
Increase in equity value reserves	*17*	**28,318,898**	32,686,768
Decrease in aggregate reserves	*16*	**(1,269,814)**	(9,131,196)
Other direct costs	*23*	**46,643,402**	45,352,398
		123,326,557	115,798,148
GROSS INCOME		**36,831,091**	38,277,106
GENERAL AND ADMINISTRATIVE EXPENSES			
Repairs and maintenance	*21*	**5,818,750**	6,803,193
Salaries and other employee benefits	*22*	**6,645,900**	5,988,751
Depreciation and amortization	*12, 13*	**1,522,218**	2,143,583
Communication, light and water		**1,695,202**	1,722,600
Professional fees		**1,072,257**	511,314
Dues and fees		**632,662**	214,606
Planning, meetings and conferences		**342,601**	52,230
Office supplies		**228,882**	127,468
Taxes and licenses		**177,441**	14,059
Transportation and travel		**125,755**	94,166
Representation and entertainment		**24,532**	16,281
Miscellaneous	*24*	**559,882**	4,176,965
		18,846,082	21,865,216
OPERATING INCOME		**17,985,009**	16,411,890
OTHER INCOME			
Interest income	*7, 8, 9, 10, 11*	**46,324,739**	47,040,967
Gain on sale of investments	*10*	**3,814,415**	3,163,521
Dividend income	*10*	**625,462**	491,233
Interest expense	*17*	**(588,349)**	(466,387)
Other income (expense) - net		**(1,476,975)**	638,289
		48,699,292	50,867,623
NET INCOME	*19*	**66,684,301**	67,279,513

Forward

		Years Ended December 31	
	Note	**2021**	2020
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that may be reclassified to profit or loss			
Net change in fair value of reserve on AFS financial assets	*10*	**(P69,019,059)**	P53,783,522
Item that will not be reclassified to profit or loss			
Remeasurement gain (loss) on retirement asset	*20*	**(3,012,648)**	1,067,854
		(72,031,707)	54,851,376
TOTAL COMPREHENSIVE INCOME (LOSS)		**(P5,347,406)**	P122,130,889

See Notes to the Financial Statements.

TSPI MUTUAL BENEFIT ASSOCIATION, INC.
(A Nonstock, Nonprofit Organization)
STATEMENTS OF CHANGES IN FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Guaranty Fund Reserves (Note 18)	General Fund Balance (Note 19)	Funds Assigned for Members' Benefits	Funds Assigned for Capacity Building	Remeasurement Gain (Loss) of Retirement Asset (Note 20)	Fair Value Reserve on AFS Financial Assets (Note 10)	Fair Value Reserve on AFS Assets Reclassified as HTM Investments	Total
Balance as at January 1, 2021	**P135,820,452**	**P181,794,357**	**P448,219,503**	**P201,286,049**	**P206,839**	**P69,373,036**	**(P6,326,978)**	**P1,030,373,258**
Net income for the year	**-**	**66,684,301**	**-**	**-**	**-**	**-**	**-**	**66,684,301**
Other comprehensive income:								
Net change in fair value reserve of AFS financial asset	**-**	**-**	**-**	**-**	**-**	**(69,019,059)**	**-**	**(69,019,059)**
Remeasurement gain on retirement asset	**-**	**-**	**-**	**-**	**(3,012,648)**	**-**	**-**	**(3,012,648)**
Total comprehensive income (loss) for the year	**-**	**66,684,301**	**-**	**-**	**(3,012,648)**	**(69,019,059)**	**-**	**(5,347,406)**
Transfer to guaranty fund	**7,496,667**	**(7,496,667)**	**-**	**-**	**-**	**-**	**-**	**-**
Appropriation of general fund balance	**-**	**(93,096,183)**	**71,601,712**	**21,494,471**	**-**	**-**	**-**	**-**
Utilization of funds for members' benefits	**-**	**1,418,609**	**(1,418,609)**	**-**	**-**	**-**	**-**	**-**
Amortization of fair value reserve to be amortized to profit or loss	**-**	**-**	**-**	**-**	**-**	**-**	**323,434**	**323,434**
Transfer of forfeited equity value and interest	**-**	**7,233,647**	**-**	**-**	**-**	**-**	**-**	**7,233,647**
	7,496,667	**(91,940,594)**	**70,183,103**	**21,494,471**	**-**	**-**	**323,434**	**7,557,081**
Balance as at December 31, 2021	**P143,317,119**	**P156,538,064**	**P518,402,606**	**P222,780,520**	**(P2,805,809)**	**P353,977**	**(P6,003,544)**	**P1,032,582,933**

Forward

	Guaranty Fund Reserves (Note 18)	General Fund Balance (Note 19)	Funds Assigned for Members' Benefits	Funds Assigned for Capacity Building	Remeasurement Gain (Loss) of Retirement Asset (Note 20)	Fair Value Reserve on AFS Financial Assets (Note 10)	Fair Value Reserve on AFS Assets Reclassified as HTM Investments	Total
Balance as at January 1, 2020	P128,335,014	P175,106,730	P449,844,457	P201,300,100	(P861,015)	P15,589,514	(P6,650,413)	P962,664,387
Net income for the year	-	67,279,513	-	-	-	-	-	67,279,513
Other comprehensive income:								
Net change in fair value reserve of AFS financial asset	-	-	-	-	-	53,783,522	-	53,783,522
Remeasurement gain on retirement asset	-	-	-	-	1,067,854	-	-	1,067,854
Total comprehensive income for the year	-	67,279,513	-	-	1,067,854	53,783,522	-	122,130,889
Transfer to guaranty fund	7,485,438	(7,485,438)	-	-	-	-	-	-
Utilization of members' benefits fund and capacity building	-	-	(1,624,954)	(14,051)	-	-	-	(1,639,005)
Utilization of general fund	-	(53,385,840)	-	-	-	-	-	(53,385,840)
Amortization of fair value reserve to be amortized to profit or loss	-	-	-	-	-	-	323,435	323,435
Transfer of forfeited equity value and interest	-	279,392	-	-	-	-	-	279,392
	7,485,438	(60,591,886)	(1,624,954)	(14,051)	-	-	323,435	(54,422,018)
Balance as at December 31, 2020	P135,820,452	P181,794,357	P448,219,503	P201,286,049	P206,839	P69,373,036	(P6,326,978)	P1,030,373,258

See Notes to the Financial Statements.

TSPI MUTUAL BENEFIT ASSOCIATION, INC.
(A Nonstock, Nonprofit Organization)
STATEMENTS OF CASH FLOWS

		Years Ended December 31	
	Note	**2021**	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	*19*	**P66,684,301**	P67,279,513
Adjustments for:			
Interest income	*7, 8, 9, 10, 11*	**(46,324,739)**	(47,040,967)
Increase in equity value reserve	*17*	**28,318,898**	32,686,768
Gain on sale of investments	*10*	**(3,814,415)**	(3,163,521)
Depreciation and amortization	*12, 13*	**1,522,218**	2,143,583
Net accretion of discount	*10, 11*	**(1,474,051)**	-
Decrease in aggregate reserves	*16*	**(1,269,814)**	(9,131,196)
Provision for (reversal of) claims incurred but not yet reported	*15*	**900,000**	(2,599,999)
Dividend income	*10*	**(625,462)**	(491,233)
Interest expense	*17*	**588,349**	466,387
Retirement expense	*20, 22*	**275,282**	224,923
(Gain) loss on sale of assets		**(432,999)**	23
Utilization of general fund reserve for free basic life insurance cover		**-**	(53,385,840)
Operating income (loss) before working capital changes		**44,347,568**	(13,011,559)
Decrease (increase) in:			
Short-term investments	*8*	**(3,388,320)**	(258,923)
Due from related party	*26*	**209,392**	(4,950,520)
Receivables		**210,867**	(27,921)
Other assets		**(145,857)**	(406,288)
Increase (decrease) in:			
Accrued expenses and other liabilities		**(23,615,994)**	20,422,680
Claims payable		**(2,961,556)**	(5,887,675)
Due to related party		**-**	(9,457,645)
Cash generated (used in) from operations		**14,656,100**	(13,577,851)
Interest paid		**(1,092,114)**	(140,571)
Contribution to retirement plan		**-**	(1,975,200)
Net cash provided by (used in) operating activities		**13,563,986**	(15,693,622)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
AFS financial assets	*10*	**(344,173,437)**	(92,691,920)
Property, equipment and computer software	*12*	**(535,490)**	(207,436)
Proceeds from disposal of AFS financial assets	*10*	**284,688,713**	33,584,337
Proceeds from disposal of Property, equipment and computer software		**568,000**	-
Interest income received		**46,648,173**	46,508,012
Dividend received	*10*	**625,462**	491,233
Net cash used in investing activities		**(12,178,579)**	(12,315,774)

Forward

		Years Ended December 31	
	Note	**2021**	2020
CASH FLOWS FROM FINANCING ACTIVITIES			
Utilization of client's benefits fund		**P -**	(P1,624,954)
Utilization of capital building fund		**-**	(14,051)
Cash used in financing activities		**-**	(1,639,005)
NET INCREASE (DECREASE) IN CASH		**1,385,407**	(29,648,401)
CASH AT BEGINNING OF YEAR	*7*	**9,598,893**	39,247,294
CASH AT END OF YEAR	*7*	**P10,984,300**	P9,598,893

See Notes to the Financial Statements.

TSPI MUTUAL BENEFIT ASSOCIATION, INC.
(A Nonstock, Nonprofit Organization)
NOTES TO THE FINANCIAL STATEMENTS

1. Reporting Entity

TSPI Mutual Benefit Association, Inc. (the Association) was registered with the Philippine Securities and Exchange Commission on May 12, 2006 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.

On January 1, 2019, the IC renewed the Association's license as a mutual benefit association until December 31, 2021, and further extended on February 28, 2022, effective January 1, 2022 and remains valid until December 31, 2024, unless sooner revoked or suspended for cause.

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 the 3rd Floor, Tulay sa Pag-unlad Inc. (TSPI) Building, 2363 Antipolo Street, Guadalupe Nuevo, Makati City 1212.

2. Basis of Preparation

Statement of Compliance
These financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards issued by the International Accounting Standards Board. PFRS which are issued by the Philippine Financial Reporting Standards Council, consist of PFRS, Philippine Accounting Standards (PASs), and Philippine Interpretations.

Basis of Measurement
These financial statements have been prepared on the historical cost basis except for the following items, which are measured on another basis at each reporting date.

Items	Measurement Bases
AFS financial assets	Fair value
Retirement asset	Fair value of plan assets (FVPA) less the present value of the defined benefit obligation (DBO)

Functional and Presentation Currency
These financial statements of the Association are presented in Philippine Peso, which is the Association's functional currency. All financial information presented in Philippine peso has been rounded off to the nearest peso, unless otherwise indicated.

Presentation of Financial Statements
The Association presents its statements of assets, liabilities and fund balance in order of liquidity. An analysis regarding recovery or settlement within twelve (12) months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 25.

Approval for Issuance of Financial Statements
The financial statements as at and for the year ended December 31, 2021 were approved by the Executive Committee as authorized by the Board of Trustees (BOT) on April 27, 2022.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently by the Association to all years presented in these financial statements, except for the changes in accounting policies as explained below.

Adoption of Amended Standards
There are no amended PFRSs effective January 1, 2021 and during the year that are relevant to the Association.

New and Amended Standards Not Yet Adopted
A number of new and amended standards are effective for annual periods beginning after January 1, 2021 and have not been applied in preparing these financial statements. Unless otherwise indicated, none of these are expected to have a significant effect on the Association's financial statements.

The Association will adopt the following new and amended standards on the respective effective dates:

Effective January 1, 2022

- Onerous Contracts - Cost of Fulfilling a Contract (Amendment to PAS 37 *Provisions, Contingent Liabilities and Contingent Assets*). The amendments clarify that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate directly to a contract - i.e. it comprise both incremental costs and an allocation of other direct costs.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated. Earlier application is permitted.

- *Annual Improvements to PFRSs 2018-2020.*

  - *Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment to PFRS 9).* The amendment clarifies that for the purpose of performing the '10 per cent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. It applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

- *Lease Incentives (Amendment to Illustrative Examples Accompanying PFRS 16 Leases).* The amendment deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted.

Effective January 1, 2023

- Classification of Liabilities as Current or Non-current (Amendments to PAS 1 *Presentation of Financial Statements*). To promote consistency in application and clarify the requirements on determining whether a liability is current or non-current, the amendments:

  - removed the requirement for a right to defer settlement of a liability for at least twelve months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;

  - clarified that a right to defer settlement exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and

  - clarified that settlement of a liability includes transferring a company's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or non-current.

  The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted.

  In November 2021, the International Accounting Standards Board issued the Exposure Draft, Non-Current Liabilities with Covenants after considering stakeholder feedback on the December 2020 tentative agenda decision issued by the IFRS Interpretations Committee about the amendments. The exposure draft proposes to again amend IAS 1 as follows:

  - Conditions which the entity must comply within twelve months after the reporting period will have no effect on the classification as current or non-current.

  - Additional disclosure requirements will apply to non-current liabilities subject to such conditions to enable the assessment of the risk that the liability could become repayable within twelve months.

  - Separate presentation in the statement of financial position will be required for non-current liabilities for which the right to defer settlement is subject to conditions within 12 months after the reporting period.

  - The effective date of the amendments will be deferred to no earlier than January 1, 2024.

  Comments on the Exposure Draft was due on March 21, 2022.

- *Disclosure of Accounting Policies (Amendments to PAS 1 and PFRS Practice Statement 2 Making Materiality Judgements)*. These amendments will help companies provide useful accounting policy disclosure. The key amendments to PAS 1 include:

  - requiring companies to disclose their material accounting policies rather than their significant accounting policies;

  - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and

  - clarifying that not all accounting policies that related to material transactions, other events or conditions are themselves material to a company's financial statements.

  An amendment to PFRS Practice Statement 2 also included guidance and additional examples on the application of materiality to accounting policy disclosures.

  The amendments are effective from January 1, 2023. Earlier application is permitted.

- *Definition of Accounting Estimates (Amendments to PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors)*. To clarify the distinction between changes in accounting policies and changes in accounting estimates, the amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both selecting a measurement technique and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remain unchanged. The amendments also provide examples on the application of the new definition.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the amendments are applied.

Effective January 1, 2025

- PFRS 9 *Financial Instruments (2014).* PFRS 9 (2014) replaces PAS 39 and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

The Association availed the temporary exemption in the implementation of PFRS 9 as allowed by PFRS 4, *Insurance Contracts* below as the Associations has not previously applied PFRS 9 and its activities are predominantly connected with insurance.

- PFRS 17, *Insurance Contracts*. PFRS 17 replaces the interim standard, PFRS 4. Reflecting the view that an insurance contract combines features of both a financial instrument and a service contract, and considering the fact that many insurance contracts generate cash flows with substantial variability over a long period, PFRS 17 introduces a new approach that:

  (a) combines current measurement of the future cash flows with the recognition of profit over the period services are provided under the contract;

  (b) presents insurance service results (including presentation of insurance revenue) separately from insurance finance income or expenses; and

  (c) requires an entity to make an accounting policy choice 0portfolio-by-portfolio of whether to recognize all insurance finance income or expenses for the reporting period in profit or loss or to recognize some of that income or expenses in other comprehensive income.

  Under PFRS 17, groups of insurance contracts are measured based on fulfilment cash flows, which represent the risk-adjusted present value of the entity's rights and obligations to the policy holders, and a contractual service margin, which represents the unearned profit the entity will recognize as it provides services over the coverage period. Subsequent to initial recognition, the liability of a group of insurance contracts represents the liability for remaining coverage and the liability for incurred claims, with the fulfilment cash flows remeasured at each reporting date to reflect current estimates.

  Simplifications or modifications to the general measurement model apply to groups of insurance contracts measured using the 'premium allocation approach', investment contracts with discretionary participation features, and reinsurance contracts held.

  PFRS 17 brings greater comparability and transparency about the profitability of new and in-force business and gives users of financial statements more insight into an insurer's financial health. Separate presentation of underwriting and financial results will give added transparency about the sources of profits and quality of earnings.

  PFRS 17 is effective for annual periods beginning on or after January 1, 2023. Full retrospective application is required, unless it is impracticable, in which case the entity chooses to apply the modified retrospective approach or the fair value approach. However, if the entity cannot obtain reasonable and supportable information necessary to apply the modified retrospective approach, then it applies the fair value approach. Early application is permitted for entities that apply PFRS 9 and PFRS 15 *Revenue from contracts with customers* on or before the date of initial application of PFRS 17.

  Given the nature of most of the insurance contracts issued, the Association is assessing if the simplified approach is applicable. The Association is currently performing detailed assessment on the impact of the adoption of the new standard in its financial statements.

Classification of Insurance and Investment Contracts
Insurance contracts are defined as those contracts under which the Association (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholder. Such risk includes the possibility of having to pay benefits on the occurrence of an insured event such as death, accident or disability.

The Association may also transfer insurance risk in insurance contracts through its reinsurance arrangement to hedge a greater possibility of claims occurring than expected. As a general guideline, the Association defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that is more than the benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Investment contracts are those contracts that transfer significant financial risk, but not significant insurance risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Once a contract has been classified as an insurance contract, it remains as an insurance contract for the remainder of its life, even if the insurance risk reduces significantly during the period, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as insurance contracts after inception if the insurance risk becomes significant.

In 2021 and 2020, the Association did not enter into any investment contracts.

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.

A liability for contractual benefits that is expected to be incurred in the future is recognized for policies that are in-force as at the reporting dates. The proportion of written members' contribution and premium attributable to subsequent periods or to risks that have not yet expired is deferred as "Aggregate reserves" in the statements of assets, liabilities and fund balance. The change in the provision for unearned members' contribution and premium is taken to profit or loss in the order that revenue is recognized over the period of risk. When the anticipated losses, loss adjustment expenses, incentives and other acquisition costs, and maintenance costs exceed the recorded aggregate reserves, and any future installment members' contributions and premiums on existing policies, a deficiency reserve shall be recognized by recording an additional liability for the deficiency, with a corresponding charge to profit or loss.

Reinsurance Contracts Held
Contracts entered into by the Association with reinsurer which compensates the Association for losses on one 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.

<u>Financial Instruments</u>
Date of Recognition
Financial instruments are recognized in the statements of assets, liabilities and fund balance when the Association becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the timeframe established by regulation or convention in the marketplace are recognized on the settlement date. Settlement date accounting refers to:

(a) the recognition of an asset on the day it is received by the Association, and (b) the derecognition of an asset and recognition of any gain or loss on disposal on the day that it is delivered by the Association.

Initial Recognition
Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in case of a liability). Except for financial instruments at fair value through profit or loss (FVPL), the initial measurement of financial instruments includes transaction costs.

Classification
The Association classifies its financial assets into the following categories: financial assets at FVPL, AFS financial assets, HTM investments, and loans and receivables. The Association classifies its financial liabilities either as financial liabilities at FVPL or other financial liabilities. The classification depends on the purpose for which the instruments were acquired or incurred and whether these are quoted in an active market. Management determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As at December 31, 2021 and 2020, the Association has no financial assets and liabilities at FVPL.

AFS Financial Assets
AFS financial assets are financial assets which are designated as such, or do not qualify to be classified or have not been classified under any other financial asset category. They are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions.

After initial recognition, AFS financial assets are subsequently measured at fair value, with unrealized gains or losses recognized in other comprehensive income in the "Fair value reserve on AFS financial assets" in fund balance until the investment is derecognized, at which time the cumulative gain or loss is recognized in profit or loss, or until the investment is determined to be impaired, where the cumulative loss is reclassified to profit or loss.

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

As at December 31, 2021 and 2020, the Association's AFS financial assets amounted to P1.08 billion (see Note 10).

HTM Investments
HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which management has the positive intention and ability to hold to maturity. Where 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 financial assets. After initial measurement, these 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, if any, is included as part of "Interest income" in profit or loss.

As at December 31, 2021 and 2020, the Association's HTM investments amounted to P182.25 million and P182.85 million, respectively (see Notes 11 and 18).

Reclassification of AFS Financial Assets to HTM Investments
For a financial asset reclassified from AFS financial assets category to HTM investments, the Association shall reclassify the financial asset at its fair value on the date of reclassification which becomes its new amortized cost. Any previous gain or loss on that asset that has been recognized in other comprehensive income and any difference between the new amortized cost and maturity amount is amortized in profit or loss over the remaining life of the investments using the effective interest method similar to the amortization of a premium and a discount. This is presented as 'Fair value reserve on AFS financial assets reclassified as HTM investments' in the statements of assets, liabilities and fund balance. If the financial asset is subsequently impaired, any gain or loss that has been recognized in other comprehensive income is reclassified from fund balance to profit or loss.

Loans and Receivables
Loans and receivables 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.

After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest method, less any impairment loss. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization, if any, is included as part of "Interest income" in profit or loss.

As at December 31, 2021 and 2020, the Association's cash in bank, short-term investments, receivables, due from related party and cash held by investment manager/custodian under "Other assets" are classified under this category.

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

Financial Liabilities

Other Financial Liabilities

Issued financial instruments or their component, which are not classified as at FVPL are classified as other financial liabilities 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 lender.

After initial measurement, 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. The amortization is included as part of "Interest expense" in profit or loss.

As at December 31, 2021 and 2020, this category includes the Association's accrued expenses and other liabilities (excluding amounts payable to government agencies), claims payable, equity value reserves and due to related party.

Fair Value Measurements

Determination of Fair Values

The fair values of financial instruments traded in active markets at reporting date are based on their quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair values are determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flows method, price comparison to similar instruments for which market observable prices exist, options pricing models, and other relevant valuation models.

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., prices) or indirectly (i.e., derived from prices); and

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

For purposes of the fair value disclosure, the Association has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

"Day 1" Profit
Where the transaction price in a non-active market is different from the fair value from 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" profit) in profit or loss, unless it qualifies for recognition as some other type of asset. In cases where data used as inputs in a valuation model are not observable, the difference between the transaction price and model value is only recognized 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" profit.

Impairment of Financial Assets
The Association assesses at each reporting date whether 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 (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in economic conditions that correlate with defaults.

Loans and Receivables and HTM Investments
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 the Association determines that no objective evidence of impairment exists for individually assessed accounts, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in the collective assessment for impairment. For the purpose of a collective evaluation of impairment, loans and receivables are grouped on the basis of credit risk characteristics such as type of borrower, payment status and term.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the excess of loan's carrying amount over its net realizable value, based on the present value of the estimated future cash flows from the asset. The present value of the estimated future cash flows is discounted at the loan's original EIR. Time value is generally not considered when the effect of discounting is not material.

The carrying amount of an impaired loan is reduced to its net realizable value through the use of an allowance account and the accrual of interest is discontinued. If, in a subsequent period, the amount of the allowance for impairment loss decreases because of an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed to profit or loss to the extent that the resulting carrying amount of the asset does not exceed its amortized cost had no impairment loss been recognized.

The Association performs a regular review of the age and status of these accounts, designed to identify accounts with objective evidence of impairment and provide the appropriate allowance for impairment loss. The Association writes off its long outstanding receivable accounts from deceased, unlocated, or migrated debtors, where they have exhausted all efforts to collect.

AFS Financial Assets Carried at Fair Value
In case of quoted equity securities classified as AFS financial assets, impairment indicators would include a significant or prolonged decline in the fair value of the investments below cost. A decline in excess of twenty percent (20%) should generally be regarded as significant while a decline in a quoted market price that persists for nine (9) months should generally be considered to be prolonged.

Where there is objective evidence of impairment, the cumulative loss in equity, measured as the difference between the acquisition cost and the current fair value, less any impairment loss previously recognized, is recorded in profit or loss. Subsequent increase in the fair value of an impaired AFS equity security is recognized in other comprehensive income.

<u>Offsetting of Financial Instruments</u>
Financial assets and financial liabilities are offset, and the net amount is reported in the statements of assets, liabilities and fund balance if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is generally not the case with master netting agreements; thus, the related assets and liabilities are presented on a gross basis in the statements of assets, liabilities and fund balance. Income and expenses are presented on a net basis only when permitted under PFRSs, such as in the case of any realized gains or losses arising from the Association's trading activities.

Derecognition of Financial Assets and Liabilities

Financial Assets

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

- the right to receive cash flows from the asset have expired;

- the Association retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or

- the Association has transferred its right to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Financial Liabilities

A financial liability is derecognized when the obligation under the 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation, and accumulated impairment loss, if any.

The initial cost of property and equipment comprises its purchase price, including import duties, taxes, any directly attributable costs in bringing the asset to its working condition and location for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of replacing part of an item of property and equipment is recognized in the carrying value of the item if it is probable that the future economic benefits embodied within the part will flow to the Association and its cost can be measured reliably.

The costs of the day-to-day servicing of property and equipment are recognized as expense in the period in which they are incurred. Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of the assets.

The estimated useful lives of property and equipment are as follows:

	Number of Years
Office furniture and fixtures	5
Transportation and equipment	5
Office equipment	3 - 5
Building and improvements	5

The estimated useful lives, depreciation method, and residual values are reviewed periodically and adjusted, if appropriate, to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment. Changes in the estimated useful lives, depreciation method, and residual values of property and equipment are accounted for by changing the depreciation method, as appropriate, and treated as changes in accounting estimates.

When an asset is disposed of, or is permanently withdrawn from use or no future economic benefits are expected from its disposal, the cost and the related accumulated depreciation and impairment loss, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is recognized in profit or loss.

Fully depreciated or amortized assets are retained until they are no longer in use and no further charge for depreciation or amortization is made in respect of those assets.

Computer Software

Computer software is initially measured at cost which is comprised of costs incurred to acquire the computer software (not an integral part of its related hardware) and bring it to its intended use. All other costs of developing and maintaining computer software are recognized as expense when incurred.

Subsequently, computer software is measured at cost less accumulated amortization and accumulated impairment loss, if any. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful life of the computer software, from the date that they are available for use, not to exceed three (3) years.

Gains or losses arising from the derecognition of the computer software are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss.

Investment Property

Investment properties are properties held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business or for administrative purposes.

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

Expenditures incurred after the investment properties have been put into operations, such as repairs and maintenance costs, are normally charged to income in the period in which the costs are incurred.

Depreciation is computed using the straight-line method over the economic useful life (EUL) of ten (10) years. The estimated useful life and depreciated method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from items of investments property.

The EUL and the depreciation methods are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from items of investment properties.

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.

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

<u>Impairment of Non-financial Assets</u>

At each reporting date, the Association assesses whether there is any indication that its non-financial assets such as investment property and property, equipment and computer software may be impaired. When an indicator of impairment exists, the Association estimates the recoverable amount of the impaired assets. The recoverable amount is the higher of the fair value less costs of disposal and value in use. Fair value less costs of disposal is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable and willing parties less costs of disposal while value in use is the present value of future cash flows expected to be derived from an asset.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

Where the carrying amount of an asset exceeds its recoverable amount, the impaired asset is written down to its recoverable amount. An impairment loss is recognized in profit or loss in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment loss may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The reversal can be made only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized. Such reversal is recognized in profit or loss. After such a reversal, the depreciation and amortization is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

<u>Insurance Contract Liabilities</u>

Aggregate Reserves

Aggregate reserves 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 in aggregate reserves" in profit or loss.

Equity Value Reserves
Equity value reserves 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.

<u>Fund Balance</u>
Guaranty Fund Reserves
Guaranty fund reserves represent the required fund amounting to P5.00 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
General fund balance 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.

Remeasurement Gain (Loss) on Retirement Asset
Remeasurement gain (loss) on retirement assets pertain to the accumulated actuarial gains and losses arising from experience and demographic assumptions of the defined benefit obligation and gain (loss) in the plan assets.

Fair Value Reserve on AFS Financial Assets
Fair value reserve on AFS financial assets pertain to the cumulative amount of gains and losses due to the revaluation of AFS financial assets.

Fair Value Reserve on AFS Financial Assets Reclassified as HTM Investments
Fair value reserve on AFS financial assets reclassified as HTM investments pertain to the net unrealized gain (loss) of the investments reclassified from AFS financial assets to HTM investments at date of reclassification. This reserve is amortized to profit or loss with the unamortized premium or discount of the reclassified investments using the effective interest method.

<u>Revenue Recognition</u>
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 Association's revenue streams arising from insurance contracts falls under PFRS 4 while interest income falls under PAS 39 and other revenue sources under PFRS 15.

Determining whether the Association is Acting as Principal or an Agent
The Association assesses its revenue arrangements against the following criteria to determine whether it is 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 credit risk.

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

The Association has determined that it is acting as principal in its revenue arrangements.

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

Members' Contributions and Premiums
Members' contributions and premiums 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 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
Members' contributions and premiums ceded to reinsurers are recognized as expense when the policy becomes effective.

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

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

<u>Claims, Benefits, and Expenses Recognition</u>
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.

<u>Employee Benefits</u>
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 calculation of defined benefit obligation is performed on a periodic basis by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Association, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

Remeasurements of the retirement asset, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income.

The Association determines the net interest expense (income) on the retirement asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the retirement asset, taking into account any changes in the retirement asset during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plan are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss.

The Association recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Provisions and Contingencies
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.

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.

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

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

Events After the Reporting Date
Post year-end events that provide additional information about the Association's assets, liabilities and fund balance at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are non - adjusting events are disclosed in the notes to the financial statements when material.

4. Significant Accounting Judgments and Estimates

The Association makes judgments 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.

a) *Classification of Financial Instruments*
The Association exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as a financial asset, financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset or liability. The substance of a financial instrument, rather than its legal form, governs its classification in the statements of assets, liabilities and fund balance. In addition, the Association classifies assets by evaluating among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether the quoted prices are readily and regularly available and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

As at December 31, 2021 and 2020, the Association's financial instruments are classified as loans and receivables, HTM investments, AFS financial assets and other financial liabilities.

b) *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. To the extent practical, models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair values of financial instruments.

As at December 31, 2021 and 2020, the Association's AFS financial assets carried at fair value are classified as Level 1 in the fair value hierarchy.

c) *Ability to Continue as Going Concern*

The financial statements have been prepared on a going concern basis. The validity of the going concern assumption is critical to the preparation of the financial statements of the Association as at and for the years ended December 31, 2021 and 2020 since the measurement bases applied were made on the assumption that the Association will continue to operate as a going concern for at least the next 12 months after reporting date.

Management believes that the consequences of the outbreak have not led to a material deterioration in operating results and financial position, that is so severe that the going concern basis of preparation is no longer considered appropriate. Furthermore, management deems that the outbreak does not constitute a material uncertainty that may cast significant doubt on the Association's ability to continue as a going concern as the need of the members for financial assistance from TSPI, a related party, will entail new or renewal of insurance policies with the Association.

<u>Estimates</u>

Impairment of Financial Assets

(a) *Loans and Receivables and HTM Debt Investments*

The Association reviews its receivables to assess impairment at least on an annual basis, or as the need arises due to significant movements on certain accounts. Receivables that are individually significant are assessed to determine whether objective evidence of impairment exists on an individual basis, while those that are not individually significant are assessed for objective evidence of impairment either on an individual or on collective basis. 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 of receivables before the decrease can be identified with an individual receivable in that portfolio.

If there is objective evidence that an impairment loss on receivables has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset's original EIR (i.e., the EIR computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through 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 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 loans and receivables and HTM debt investments were recognized in 2021 and 2020.

(b) *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.

As at December 31, 2021 and 2020, the carrying amount of AFS financial assets amounted to P1.08 billion (see Notes 10 and 25).

There was no impairment loss recognized in 2021 and 2020 on the Association's AFS financial assets.

(c) *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 amounted to P3.50 million and P2.60 million as at December 31, 2021 and 2020, respectively (see Note 15).

(d) *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, 2021 and 2020 of P32.31 million and 33.58 million, respectively (see Note 16) and IBNR claims as at December 31, 2021 and 2020 amounted to P3.50 million and P2.60 million, respectively (see Note 15), are adequate using best estimate assumptions

(e) *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, 2021 and 2020, aggregate reserves amounted to P32.31 million and P33.58 million, respectively (see Notes 16 and 25).

(f) *Estimating Retirement Benefits*
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.

As at December 31, 2021 and 2020, the Association has a retirement asset of P2.55 million and P5.84 million, respectively (see Note 20).

Retirement expense amounted to P0.28 million and P0.22 million in 2021 and 2020, respectively (see Notes 20 and 22) while remeasurement (gain) loss on retirement asset amounted to P3.01 million and (P1.07) million as at December 31, 2021 and 2020, respectively (see Note 20).

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

In 2020, the Association received a Final Decision on Disputed Assessment (FDDA) for the 2016 tax assessment. The FDDA dropped the alleged deficiency assessment pertaining to final withholding tax and income tax but retained percentage tax, withholding tax on compensation, expanded withholding tax and compromise penalty. Subsequently, the Association sent an appeal on the tax assessment on the ground that the Association is exempt from percentage tax, in accordance with Section 123 of NIRC, as amended, among others.

In 2021, the Association received a Warrant of Distraint and Levy (WDL) for the 2016 tax assessment. This is for the assessment retained in the FDDA received in 2020. The Association then filed a Petition for Review before the Court of Tax Appeals (CTA) docketed as CTA Case No. 10691 to appeal the issuance of the WDL.

The management believes that as at December 31, 2021 and 2020, there is no probable ground that an outflow of resources will be required from 2016 tax audit. The Association also believes that there are merits to its objection or disagreement on the 2016 tax assessment. Consequently, no provision for tax liabilities arising from these open tax audits had been made by the Association as at and for the years ended December 31, 2021 and 2020.

5. 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 funds assigned for capacity building.

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 claims payable, accrued expenses and other liabilities, due to related party, aggregate reserves and equity value reserves. Total equity comprises the fund balance.

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

	2021	2020
Total debt	**P319,717,250**	P326,083,128
Total equity	**1,032,582,933**	1,030,373,258
Debt-to-equity ratio	**30.96%**	31.65%

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, 2021 and 2020, 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 statements of assets, liabilities and fund balance, which are subject to final determination by the IC are as follows:

	2021	2020
Property, equipment and computer software	**P803,077**	P540,512
Receivables	**305,721**	531,685
Other assets	**1,159,511**	1,013,654
	P2,268,309	P2,085,851

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, 2021 and 2020 were determined by the Association based on the Association's internal calculations:

	2021	2020
Net worth	**P1,023,657,113**	P1,006,895,312
Risk-based capital requirement	**32,260,311**	32,512,650
Risk-based capital ratio	**3,173%**	3,229%

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 (RBC2) 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, 2021 and 2020, 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, 2021 and 2020.

	2021		2020	
Contract Type	**Gross of Reinsurance** (Note 26)	**Net of Reinsurance**	Gross of Reinsurance (Note 26)	Net of Reinsurance
Basic life	**P56,175,899**	**P56,161,041**	P65,024,479	P64,991,169
Credit life	**55,504,832**	**55,482,900**	54,687,245	54,638,335
Life maximum benefit	**25,438,170**	**25,421,190**	20,333,543	20,295,253
Members' fees and dues	**10,295,043**	**10,295,043**	4,526,035	4,526,035
Life plus benefit	**9,650,216**	**9,635,359**	7,550,231	7,516,931
Golden Life optional	**1,374,897**	**1,374,897**	1,023,485	1,023,485
Mortgage redemption insurance benefits	**1,327,446**	**1,325,323**	739,818	734,988
Golden Life basic	**461,895**	**461,895**	349,058	349,058
	P160,228,398	**P160,157,648**	P154,233,894	P154,075,254

The Association's exposure to insurance risk as at December 31, 2021 and 2020 are as follows:

	Note	**2021**	2020
Aggregate reserves	*16*	**P32,305,799**	P33,575,613
Equity value reserves	*17*	**96,708,343**	110,362,174
		P129,014,142	P143,937,787

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, 2021 and December 31, 2020 by approximately P1.29 million and P1.44 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.

(a) *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 financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting dates are as follows:

	Note	**2021**	2020
Cash*	*7*	**P10,645,300**	P9,226,111
Short-term investments	*8, 25*	**6,904,852**	3,516,532
Receivables	*9, 25*	**7,154,594**	7,365,461
Due from related party	*26, 25*	**4,741,128**	4,950,520
AFS financial assets**	*10*	**1,053,824,138**	1,058,876,122
HTM investments	*11, 18, 25*	**182,246,918**	182,854,372
Other assets***	*25*	**342,338**	490,654
		P1,265,859,268	P1,267,279,772

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

The Association's concentration of credit risk arises from its investments in government debt securities which represent 74.59% and 68.44% of its total financial assets as at December 31, 2021 and 2020, respectively are as follows:

	Note	**2021**	2020
AFS - Government debt securities	*10*	**P758,900,601**	P681,085,947
HTM	*11*	**182,246,918**	182,854,372
		P941,147,519	P863,940,319

The table below provides information regarding the credit risk exposure of the Association as at December 31, 2021 and 2020 by classifying assets according to the Association's credit grading of counterparties.

		2021				
		Neither Past Due nor Impaired				
	Note	**Investment High-grade**	**Non-investment Grade - Satisfactory**	**Total Financial Assets Neither Past Due nor Impaired**	**Past Due and Impaired**	**Total**
Cash*	*7*	**P10,645,300**	**P -**	**P10,645,300**	**P -**	**P10,645,300**
Short-term investments	*8*	**6,904,852**	**-**	**6,904,852**	**-**	**6,904,852**
Receivables	*9*	**-**	**7,154,594**	**7,154,594**	**-**	**7,154,594**
Due from related party	*26*	**4,741,128**	**-**	**4,741,128**	**-**	**4,741,128**
AFS financial assets**	*10*	**1,053,824,138**	**-**	**1,053,824,138**	**-**	**1,053,824,138**
HTM investments	*11*	**182,246,918**	**-**	**182,246,918**	**-**	**182,246,918**
Other assets***		**-**	**342,338**	**342,338**	**-**	**342,338**
		P1,258,362,336	**P7,496,932**	**P1,265,859,268**	**P -**	**P1,265,859,268**

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

		2020				
		Neither Past Due nor Impaired				
	Note	Investment High-grade	Non-investment Grade - Satisfactory	Total Financial Assets Neither Past Due nor Impaired	Past Due and Impaired	Total
Cash*	*7*	P9,226,111	P -	P9,226,111	P -	P9,226,111
Short-term investments	*8*	3,516,532	-	3,516,532	-	3,516,532
Receivables	*9*	-	7,365,461	7,365,461	-	7,365,461
Due from related party	*26*	4,950,520	-	4,950,520	-	4,950,520
AFS financial assets**	*10*	1,058,876,122	-	1,058,876,122	-	1,058,876,122
HTM investments	*11*	182,854,372	-	182,854,372	-	182,854,372
Other assets***			490,654	490,654	-	490,654
		P1,259,423,657	P7,856,115	P1,267,279,772	P -	P1,267,279,772

**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, 2021 and 2020.

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.

(b) 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 has contractual maturities of one year or less as at December 31, 2021 and 2020 are as follows:

		2021	
	Note	**Carrying Amount**	**Contractual Cash Flow**
Accrued expenses and other liabilities*	*14*	**P19,034,596**	**P19,034,596**
Claims payable	*15*	**170,401,258**	**170,401,258**
Equity value reserves	*17*	**96,708,343**	**96,708,343**
		P286,144,197	**P286,144,197**

***Accrued expenses and other liabilities shown above exclude payables to government agencies amounting to P1.27 million as at December 31, 2021.*

		2020	
	Note	Carrying Amount	Contractual Cash Flow
Accrued expenses and other liabilities*	*14*	P43,519,038	P43,519,038
Claims payable	*15*	137,723,732	137,723,732
Equity value reserves	*17*	110,362,174	110,362,174
		P291,604,944	P291,604,944

***Accrued expenses and other liabilities shown above exclude payables to government agencies amounting to P0.90 million as at December 31, 2020.*

(c) 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 as at December 31, 2021 and 2020 are as follows:

	Note	2021	2020
Cash*	*7*	**P10,645,300**	P9,226,111
Short-term investments	*8, 25*	**6,904,852**	3,516,532
AFS financial assets**	*10*	**1,053,824,138**	1,058,876,122
HTM investments	*11, 25*	**182,246,918**	182,854,372
		P1,253,621,208	P1,254,473,137

**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
2021	Increase by 13 bps	**P1,629,708**
	Decrease by 13 bps	**(1,629,708)**
2020	Increase by 13 bps	P1,630,815
	Decrease by 13 bps	(1,630,815)

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.

(d) 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 P25.75 million and P24.34 million as at December 31, 2021 and 2020, respectively (see Note 10). The value of these equity securities will fluctuate with changes in market conditions.

An average of 13.19% decrease (2020: 13.19% decrease) in stock prices would have decreased equity by P3.40 million as at December 31, 2021 (2020: P3.21 million), with all variables remaining constant. An equal change in the opposite direction would have increased equity by an equal but opposite amount.

In 2021 and 2020, 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.

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 P347.18 million which represented more than 89.45% of its total liabilities of P388.11 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, 2021.

The following table provides an overview of the fair values as at December 31, 2021 and 2020, and the amounts of change 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 (SPPI) 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:

		2021			
		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 in bank	*7*	**P10,645,300**	**P -**	**P -**	**P -**
AFS financial assets	*10*	**-**	**-**	**1,079,573,585**	**69,019,059**
HTM investments	*11*	**182,246,918**	**323,434**	**-**	**-**
Short term investments	*8*	**6,904,852**	**-**	**-**	**-**
Receivables	*9*	**7,154,594**	**-**	**-**	**-**
Due from related party	*26*	**4,741,128**	**-**	**-**	**-**
Other Assets**		**342,338**	**-**	**-**	**-**
		P212,035,130	**P323,434**	**P1,079,573,585**	**P69,019,059**

** 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.*

		2020			
		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 in bank	7	P9,226,111	P -	P -	P -
AFS financial assets	10	-	-	1,083,212,000	53,783,522
HTM investments	11	182,854,372	323,435	-	-
Short term investments	8	3,516,532	-	-	-
Receivables	9	7,365,461	-	-	-
Due from related party	26	4,950,520	-	-	-
Other Assets**		490,654	-	-	-
		P208,403,650	P323,435	P1,083,212,000	P53,783,522

** 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.*

6. 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 (excluding cash on hand), short-term investments, receivables, other assets (excluding prepaid expenses and fidelity bond deposits), accrued expenses and other liabilities (excluding government payables to agencies), claims payable, equity value reserves and due to related party 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 and Philippine Dealings and Exchange as at December 31, 2021 and December 31, 2020, 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 P1.08 billion as at December 31, 2021 and 2020 (see Notes 10 and 25).

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 2021 and 2020.

7. Cash

As at December 31, this account consists of:

	Note	**2021**	2020
Cash in banks		**P10,645,300**	P9,226,111
Cash on hand		**339,000**	372,782
	25	**P10,984,300**	P9,598,893

The Association's cash in bank earns annual interest at 0.015% to 0.25% and 0.13% to 0.25% in 2021 and 2020, respectively.

Interest income, net of final tax, recognized in profit or loss which is presented under "Interest income", amounted to P0.07 million and P0.14 million for the years ended December 31, 2021 and 2020, respectively.

8. Short-term Investments

Short-term investments amounting to P6.90 million and P3.52 million as at December 31, 2021 and 2020, respectively, represents certificate of deposit with local bank with 180-day maturity and earns interest of 0.1875% and 0.50% per annum in 2021 and 2020, respectively (see Note 25).

Interest income on short-term investments amounted to P0.001 million for the years ended December 31, 2021 and 2020.

9. Receivables

As at December 31, this account consists of:

	Note	**2021**	2020
Interest receivables		**P6,848,874**	P6,833,776
Advances to officers and employees		**297,219**	457,030
Others		**8,501**	74,655
	25	**P7,154,594**	P7,365,461

Interest receivables pertain to accrued interest of debt instrument classified as AFS financial assets and HTM investments. Advances to officers and employees refers to receivables from loans and advances granted to the Association's officers and employees.

Interest income earned on advances to officers and employees amounted to nil and P0.004 million for the years ended December 31, 2021 and 2020, respectively.

10. Available-for-Sale Financial Assets

As at December 31, this account consists of:

	Note	**2021**	2020
Government debt securities		**P758,900,601**	P681,085,947
Corporate debt securities		**294,923,537**	377,790,175
Equity securities		**25,749,447**	24,335,878
	4, 25	**P1,079,573,585**	P1,083,212,000

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

	Note	**2021**	2020
Balance at beginning of year		**P1,083,212,000**	P965,318,350
Additions during the year		**344,173,437**	92,691,920
Disposals during the year		**(280,874,298)**	(33,584,337)
Accretion of discount during the year		**5,044,248**	6,635,873
Amortization of premium during the year		**(2,962,743)**	(1,633,328)
Net change in fair value reserve on AFS financial assets		**(69,019,059)**	53,783,522
Balance at end of year	*4, 25*	**P1,079,573,585**	P1,083,212,000

In 2021 and 2020, the Association recognized interest income on AFS financial assets (net of final tax) amounting to P38.32 million and P40.13 million, respectively, with annual interest rate ranging from 2.625% to 8.125% for both years.

Dividend income earned from equity securities amounted to P0.63 million and P0.49 million for the years ended December 31, 2021 and 2020, respectively. Gain on sale amounted to P3.81 million and P3.16 million in 2021 and 2020, respectively.

Proceeds from disposal of AFS financial assets amounted to P284.69 million and P36.75 million which resulted in a gain on sale of P3.81 million and P3.16 million for the years ended December 31, 2021 and 2020, respectively.

As at December 31, 2021 and 2020, the fair value reserve on AFS financial assets recognized in statements of assets, liabilities and fund balance amounted to gain of P0.35 million and P69.37 million, respectively. Below is the rollforward analysis of the account.

	2021	2020
Balance at beginning of year	**P69,373,036**	P15,589,514
Net change in fair value reserve of AFS financial asset	**(69,019,059)**	53,783,522
Balance at end of year	**P353,977**	P69,373,036

11. Held-to-Maturity Investments

As at December 31, 2021 and 2020, the reconciliation of the carrying amount of the Association's HTM investments are as follows:

	Note	**2021**	2020
Balance at beginning of year		**P182,854,372**	P183,434,094
Accretion of discount		**63,289**	60,260
Amortization of premium during the year		**(670,743)**	(639,982)
Balance at end of year	*18, 25*	**P182,246,918**	P182,854,372

In 2021 and 2020, the Association recognized interest income on HTM investments (net of final tax) amounting to P7.94 million and P6.76 million, respectively, with annual interest rate ranging from 4.01% to 5.38% for both years.

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.

The contractual maturities of the Association's HTM investments as at December 31, 2021 and 2020 is more than five (5) years (see Note 25).

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 are 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
August 23, 2013	March 1, 2027	4.01%	P10,966,000	P12,528,254
January 29, 2014	October 24, 2037	5.38%	10,150,500	11,167,681
October 7, 2015	February 2, 2032	4.63%	12,178,000	13,907,884
November 22, 2017	October 24, 2037	4.70%	75,000,000	79,683,080
			P108,294,500	P117,286,899

12. Property, Equipment and Computer Software

	Office Furniture and Fixtures	Transportation and Equipment	Office Equipment	Building and Improvements	Computer Software	Total
Cost						
January 1, 2020	P4,762,919	P2,600,000	P13,626,196	P325,979	P7,490,019	P28,805,113
Additions	-	-	160,589	-	46,822	207,411
Disposals/retirements	-	-	(225,014)	-	(39,886)	(264,900)
December 31, 2020	4,762,919	2,600,000	13,561,771	325,979	7,496,955	28,747,624
Additions	71,570	-	417,084	-	46,836	535,490
Disposals/retirements	(5,716)	(900,000)	(335,716)	-	(85,061)	(1,326,493)
December 31, 2021	**4,828,773**	**1,700,000**	**13,643,139**	**325,979**	**7,458,730**	**27,956,621**
Accumulated Depreciation and Amortization						
January 1, 2020	4,537,079	1,879,997	12,261,864	325,979	6,925,580	25,930,499
Depreciation and amortization for the year	85,328	320,000	849,799	-	395,274	1,650,401
Disposals/retirements	-	-	(225,014)	-	(39,886)	(264,900)
December 31, 2020	4,622,407	2,199,997	12,886,649	325,979	7,280,968	27,316,000
Depreciation and amortization for the year	79,174	230,000	552,760	-	167,102	1,029,036
Disposals/retirements	(5,716)	(764,999)	(335,716)	-	(85,061)	(1,191,492)
December 31, 2021	**4,695,865**	**1,664,998**	**13,103,693**	**325,979**	**7,363,009**	**27,153,544**
Net Carrying Amounts						
December 31, 2020	P140,512	P400,003	P675,122	P -	P215,987	P1,431,624
December 31, 2021	**P132,908**	**P35,002**	**P539,446**	**P -**	**P95,721**	**P803,077**

The costs of fully depreciated property and equipment which are still in use as at December 31, 2021 and 2020 amounted to P23.76 million and P23.93 million, respectively.

As of December 31, 2021 and 2020, the Association's property, equipment and computer software were not pledged as security for liabilities.

13. Investment Property

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

		2021			2020		
Cost	***Note***	**Land**	**Building**	**Total**	Land	Building	Total
Balance at beginning and end of year		**P52,728,392**	**P4,438,637**	**P57,167,029**	P52,728,392	P4,438,637	P57,167,029
Accumulated Depreciation							
Balance at beginning of the year		**-**	**986,363**	**986,363**	-	493,181	493,181
Amortization for the year		**-**	**493,181**	**493,181**	-	493,182	493,182
Balance at end of year		**-**	**1,479,544**	**1,479,544**	-	986,363	986,363
Net Carrying Amounts	*25*	**P52,728,392**	**P2,959,093**	**P55,687,485**	P52,728,392	P3,452,274	P56,180,666

As at December 31, 2021 and 2020, the cost of the investment property approximates the fair value of investment property based on latest appraisal report determined by an independent qualified appraiser. 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, 2021 and 2020, no impairment is recognized for the Association's investment property.

In 2021 and 2020, no rental income was earned from the investment properties.

14. Accrued Expenses and Other Liabilities

As at December 31, this account consists of:

	Note	2021	2020
Accrued expenses		**P17,604,754**	P41,585,431
Accrued interest	*17*	**1,429,842**	1,933,607
Payables to government agencies		**1,267,254**	902,571
	25	**P20,301,850**	P44,421,609

Accrued expenses pertains to liabilities on utilities and services incurred.

The Association accrued interest on equity value received from the members as required by IC, however, effective February 1, 2016, interest rate on equity value reserve was reduced from 2.00% to 0.50% as approved by the BOT. Accrued interest of inactive members amounting to P0.50 million as at December 31, 2021 and 2020, were transferred to claims payable - equity value and interest under "Claims payable".

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

15. Claims Payable

As at December 31, this account consists of:

	Note	2021	2020
Claims payable - equity value and interest		**P166,300,339**	P134,437,066
IBNR claims		**3,500,000**	2,600,000
Claims due and unpaid/resisted		**600,919**	686,666
	25	**P170,401,258**	P137,723,732

As discussed in Note 3, the Association transferred equity value and interest of inactive members amounting to P35.94 million and P7.06 million (see Note 17) in 2021 and 2020, respectively. The entire amount is presented in claims payable - equity value and interest. Moreover, the equity value reserves transferred to the general fund balance amounted to nil and P0.28 million in 2021 and 2020, respectively (see Note 19).

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

	2021	2020
Credit life	**P237,600**	P241,266
Basic life	**170,000**	200,700
Life maximum	**125,300**	132,200
Life plus	**60,000**	112,500
Mortgage redemption	**8,019**	-
	P600,919	P686,666

Movements in IBNR claims are as follows:

	2021	2020
Balance at beginning of year	**P2,600,000**	P5,199,999
Increase (decrease) in IBNR	**900,000**	(2,599,999)
Balance at end of year	**P3,500,000**	P2,600,000

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

	2021	2020
Balance at beginning of year	**P686,666**	P1,066,667
Claims and benefits incurred	**48,734,071**	49,490,177
Claims and benefits paid	**(48,819,818)**	(49,870,178)
Balance at end of year	**P600,919**	P686,666

Claims and benefits expense recognized in profit or loss for the years ended December 31, 2021 and 2020 is as follows:

	2021	2020
Claims and benefits incurred	**P48,734,071**	P49,490,177
Increase (decrease) in IBNR	**900,000**	(2,599,999)
	P49,634,071	P46,890,178

16. 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 Commissioner.

The movement of the account is as follows:

	Note	**2021**	2020
Balance at beginning of the year		**P33,575,613**	P42,706,809
Decrease during the year		**(1,269,814)**	(9,131,196)
	4, 25	**P32,305,799**	P33,575,613

Starting January 1, 2017, Circular Letter No. 2016-66, *Valuation Standards for Life Insurance Policy Reserves*, requiring all life insurance companies to calculate the reserves for traditional life insurance policies with a term of one year or less using the unearned premium method is implemented. The application of the new valuation standards for life insurance policy reserves has no significant impact since the Association's methodology of calculating aggregate reserves is consistent with the new regulatory requirement.

17. Equity Value Reserves

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

The mandatory member's contributions collected amounting to P56.64 million and P65.37 million has a corresponding additional equity value reserve of P28.32 million and P32.69 million in 2021 and 2020, respectively.

The table below shows the rollforward analysis of the account as at December 31, 2021 and 2020.

	Note	**2021**	2020
Balance at beginning of the year		**P110,362,174**	P84,733,721
Increase in equity value		**28,318,898**	32,686,768
Refund of equity value		**(6,031,241)**	-
Reclassification to claims payable	*15*	**(35,941,488)**	(7,058,315)
	25	**P96,708,343**	P110,362,174

Interest expense on equity value reserves amounted to P0.59 million and P0.47 million for the years ended December 31, 2021 and 2020, respectively.

Accrued interest on equity value reserves presented as accrued interest under "Accrued expenses and other liabilities" in the statements of assets, liabilities and fund balance as at December 31, 2021 and 2020 amounted to P1.43 million and P1.93 million, respectively (see Note 14).

18. Guaranty Fund Reserves

As a microinsurance mutual benefit association, the Association is required to maintain a Guaranty Fund amounting to P5.00 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 reach 25.00% of the required net worth for existing domestic life insurance companies.

As at December 31, 2021 and 2020, the guaranty fund reserves amounted to P143.32 million and P135.82 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, 2021 and 2020, the Association has restricted investments of P182.25 million and P182.85 million, respectively, with the Bureau of Treasury to cover for any valid benefit claim of any of its members (see Notes 11 and 25).

The amount transferred from general fund to guaranty fund reserves amounted to P7.50 million and P7.49 million in 2021 and 2020, respectively (see Note 19).

19. 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 Commissioner. Any amount in excess shall be returned to the members by way of dividends, enhancing the equity value or providing benefits in kind and other relevant services. As at December 31, 2021 and 2020, the Association has an excess general fund balance amounting to P95.58 million and P108.65 million, respectively, which will be appropriated by the Association in the subsequent periods.

The rollforward analysis of the account as at December 31, 2021 and 2020 are as follows:

	Note	**2021**	2020
Beginning balance		**P181,794,357**	P175,106,730
Net income for the year		**66,684,301**	67,279,513
Transfer of equity value and interest from claims payable	*15*	**-**	279,392
Transfer of forfeited equity value		**7,233,647**	-
Return of fund utilization of fund assigned for members benefit		**1,418,609**	-
Transfer to guaranty fund	*18*	**(7,496,667)**	(7,485,438)
Transfer to funds assigned for capacity building		**(21,494,471)**	-
Transfer to funds assigned for members benefits		**(71,601,712)**	-
Utilization for free basic life insurance cover		**-**	(53,385,840)
		P156,538,064	P181,794,357

On September 25, 2020, the IC approved the use of the Association's free and unassigned surplus to provide assistance to the members during this time of COVID-19 pandemic as renewal payment of all active members' basic life insurance cover for the year 2020 amounting to P53.39 million.

20. Retirement Benefit Cost

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, 2021.

The Retirement 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 ten (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 Retirement 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 defined benefit asset and its components.

	Defined Benefit Obligation		Fair Value of Plan Assets		Net Defined Benefit (Asset) Liability (see Notes 4, 22 and 25)	
	2021	2020	**2021**	2020	**2021**	2020
Balance at January 1	**P4,823,655**	P3,677,153	**P10,663,138**	P6,698,505	**(P5,839,483)**	(P3,021,352)
Included in Profit or Loss						
Current service cost	**507,282**	416,340	**(36,575)**	(147,333)	**543,857**	563,673
Interest cost	**191,641**	190,805	**-**	-	**191,641**	190,805
Interest income	**-**	-	**460,216**	529,555	**(460,216)**	(529,555)
	698,923	607,145	**423,641**	382,222	**275,282**	224,923
Included in Other Comprehensive Income (Loss)						
Remeasurement (gain) loss gain:						
Actuarial loss (gain) arising from:						
Financial assumptions	**(708,536)**	649,806	**-**	-	**(708,536)**	649,806
Experience adjustment	**115,933**	529,551	**-**	-	**115,933**	529,551
Return on plan assets excluding interest income	**-**	-	**(695,006)**	181,114	**695,006**	(181,114)
Changes in the effect of asset ceiling (movement in asset ceiling - interest expense on effect of asset ceiling)	**-**	-	**(2,910,245)**	2,066,097	**2,910,245**	(2,066,097)
	(592,603)	1,179,357	**(3,605,251)**	2,247,211	**3,012,648**	(1,067,854)
Others						
Contributions paid by the employer	**-**	-	**-**	1,975,200	**-**	(1,975,200)
Benefits paid	**-**	(640,000)	**-**	(640,000)	**-**	-
	-	(640,000)	**-**	1,335,200	**-**	(1,975,200)
Balance at December 31	**P4,929,975**	P4,823,655	**P7,481,528**	P10,663,138	**(P2,551,553)**	(P5,839,483)

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

	2021	2020
Balance at beginning of year	**P920,602**	P2,839,366
Remeasurement (loss) gain on the change in the effect of asset ceiling	**2,910,245**	(2,066,097)
Interest expense on effect of asset ceiling	**36,575**	147,333
Balance at end of year	**P3,867,422**	P920,602

The Association's plan assets consist of the following:

	2021	2020
Unit investment trust funds	**P11,348,836**	P11,583,489
Cash	**114**	251
	P11,348,950	P11,583,740

The table below shows the rollforward analysis of remeasurement gain (loss) on retirement asset account presented under statements of assets, liabilities and fund balance as at December 31, 2021 and 2020.

	2021	2020
Balance at beginning of the year	**P206,839**	(P861,015)
Remeasurement gain (loss) of retirement asset	**(3,012,648)**	1,067,854
	(P2,805,809)	P206,839

The Association is not required to contribute to the defined benefit retirement plan for 2021 and 2020.

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

	2021	2020
Discount rate	**5.17%**	3.97%
Future salary growth	**5.00%**	5.00%

Assumptions regarding future mortality have been based on the 2001 Commissioners Standard Ordinary Table - Generational mortality table. The current members' longevity is at ages 33.16 and 32.81 in December 31, 2021 and 2020, respectively.

The weighted-average duration of the defined benefit obligation is 17.16 years and 17.87 years as at December 31, 2021 and 2020, respectively.

Maturity analysis of the benefit payments:

	2021				
	Carrying Amount	**Contractual Cash Flows**	**Within 1 Year**	**Within 1 - 5 Years**	**More than 5 Years**
Defined benefit obligation	**P4,929,975**	**P6,198,936**	**P194,426**	**P1,322,924**	**P4,681,586**

	2020				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1 - 5 Years	More than 5 Years
Defined benefit obligation	P4,823,655	P3,633,790	P177,163	P1,042,276	P2,414,351

<u>Sensitivity Analysis</u>

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:

	2021 Defined Benefit Obligation	
	Increase	**Decrease**
Discount rate (1% movement)	**(P501,512)**	**P585,168**
Future salary growth (1% movement)	**528,206**	**(464,182)**

	2020 Defined Benefit Obligation	
	Increase	Decrease
Discount rate (1% movement)	(P543,655)	P643,418
Future salary growth (1% movement)	578,596	(502,370)

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.

21. Repairs and Maintenance

This account consists of:

	2021	2020
Service fees	**P3,903,359**	P2,727,529
Repairs and maintenance	**1,915,391**	4,075,664
	P5,818,750	P6,803,193

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

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

22. Salaries and Other Employee Benefits

The account consists of:

	Note	**2021**	2020
Salaries and wages		**P5,141,581**	P3,488,174
Contributions to SSS, Philhealth and Pag-IBIG		**482,214**	282,859
Retirement expense	*20*	**275,282**	224,923
13th month/bonuses/incentives		**178,052**	770,064
Employees’ leave conversion		**89,944**	599,274
Staff training expenses - Professional and technical development		**88,540**	37,158
Other employee welfare and benefits		**390,287**	586,299
		P6,645,900	P5,988,751

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.

23. Other Direct Costs

This account consists of:

	Note	2021	2020
Direct salaries and benefits expenses		**P20,722,590**	P23,837,417
Collection fees	*26*	**20,253,328**	18,101,645
Membership enrollment and marketing fees		**4,211,777**	2,625,533
Other member benefit		**1,455,707**	-
Office supplies		**-**	718,856
Communication, light and water		**-**	68,947
		P46,643,402	P45,352,398

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 for collection services as stated in the Memorandum of Agreement between the two (2) parties (see Note 26).

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.

24. Miscellaneous

This account consists of:

	2021	2020
Bank and other charges	**P183,791**	P57,250
Investment management fees	**86,508**	78,860
Insurance expense	**79,277**	71,935
Maintenance cost	**10,306**	2,016,893
Miscellaneous expense	**200,000**	1,952,027
	P559,882	P4,176,965

Maintenance cost pertains to repairs and maintenance expenses incurred by the Association to maintain the condition of its investment property.

Miscellaneous expense pertains to the manpower cost of those seconded to the Association.

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

The tables below show an analysis of assets and liabilities as at December 31, 2021 and December 31, 2020 analyzed according to when they are expected to be recovered or settled within one year and beyond one year from the reporting date:

		2021		
	Note	Due Within One Year	Due Beyond One Year	Total
Financial Assets				
Cash	*7*	**P10,984,300**	**P -**	**P10,984,300**
Short-term investments	*8*	**6,904,852**	**-**	**6,904,852**
AFS financial assets	*4, 10*		**1,079,573,585**	**1,079,573,585**
HTM investments	*11, 18*		**182,246,918**	**182,246,918**
Receivables	*9*	**7,154,594**	**-**	**7,154,594**
Due from related party	*26*	**4,741,128**	**-**	**4,741,128**
Other assets		**342,338**	**-**	**342,338**
		30,127,212	**1,261,820,503**	**1,291,947,715**
Non-financial Assets				
Property, equipment and computer software	*12*	**-**	**803,077**	**803,077**
Investment property	*13*	**-**	**56,180,665**	**56,180,665**
Retirement asset	*4, 20*	**-**	**2,551,553**	**2,551,553**
Other assets		**817,173**	**-**	**817,173**
		817,173	**59,535,295**	**60,352,468**
		P30,944,385	**P1,321,355,798**	**P1,352,300,183**
Financial Liabilities				
Accrued expenses and other liabilities	*14*	**P19,034,596**	**P -**	**P19,034,596**
Claims payable	*15*	**170,401,258**	**-**	**170,401,258**
Equity value reserves	*17*	**96,708,343**	**-**	**96,708,343**
		286,144,197	**-**	**286,144,197**
Non-financial Liabilities				
Accrued expenses and other liabilities	*14*	**1,267,254**	**-**	**1,267,254**
Aggregate reserves	*4, 16*	**32,305,799**	**-**	**32,305,799**
		33,573,053	**-**	**33,573,053**
		P319,717,250	**P -**	**P319,717,250**

		2020		
	Note	Due Within One Year	Due Beyond One Year	Total
Financial Assets				
Cash	*7*	P9,598,893	P -	P9,598,893
Short-term investments	*8*	3,516,532	-	3,516,532
AFS financial assets	*4, 10*	-	1,083,212,000	1,083,212,000
HTM investments	*11, 18*	-	182,854,372	182,854,372
Receivables	*9*	7,365,461	-	7,365,461
Due from Related Party	*26*	4,950,520	-	4,950,520
Other assets		490,654	-	490,654
		25,922,060	1,266,066,372	1,291,988,432
Non-financial Assets				
Property, equipment and computer software	*12*	-	1,431,624	1,431,624
Investment property	*13*	-	56,673,847	56,673,847
Retirement asset	*4, 20*	-	5,839,483	5,839,483
Other assets		523,000	-	523,000
		523,000	63,944,954	64,467,954
		P26,445,060	P1,330,011,326	P1,356,456,386
Financial Liabilities				
Accrued expenses and other liabilities	*14*	P43,519,038	P -	P43,519,038
Claims payable	*15*	137,723,732	-	137,723,732
Equity value reserves	*17*	110,362,174	-	110,362,174
		291,604,944	-	291,604,944
Non-financial Liabilities				
Accrued expenses and other liabilities	*14*	902,571	-	902,571
Aggregate reserves	*4, 16*	33,575,613	-	33,575,613
		34,478,184	-	34,478,184
		P326,083,128	P -	P326,083,128

26. Related Party Transactions

Parties are considered related party if one party has control, joint control, or significant influence over the other party in making financial and operating decisions. The key management personnel of the Association are also considered to be related parties. The Association's key management personnel are composed of the senior management and directors.

Category/Transaction	*Note*	Year	Amount of the Transaction	Outstanding Balance Due from (to) Related Parties	Terms	Conditions
Entity under Common Key Management						
▪ Members' contributions and premiums collected	*26a*	**2021**	**P160,228,398**	**P15,350,697**	Payable on demand; non interest bearing	Unsecured; no impairment
	26a	2020	154,233,894	9,803,907	Payable on demand; non-interest bearing	Unsecured; no impairment
▪ Claims and benefits paid	*26b*	**2021**	**48,819,818**	**(7,260,500)**	Payable on demand; non interest bearing	Unsecured
	26b	2020	49,870,180	(3,382,801)	Payable on demand; non-interest bearing	Unsecured
▪ Collection fees	*26c,23*	**2021**	**20,253,328**	**(3,349,069)**	Payable on demand; non-interest bearing	Unsecured
	26c, 23	2020	18,101,645	(1,470,586)	Payable on demand; non-interest bearing	Unsecured
	25	**2021**		**P4,741,128**		
	25	2020		P4,950,520		

Outstanding receivables from and payables to related parties are expected to be settled in cash.

26a. TSPI, 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. TSPI collects members' contributions and premiums from the Association's members. As at December 31, 2021 and 2020, the outstanding balance owed to TSPI amounted to P15.35 million and P9.80 million, respectively.

26b. TSPI 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. As at December 31, 2021 and 2020, the outstanding balance of P7.26 million and P3.38 million, respectively, represents the settlement claims paid in advance by TSPI.

26c. TSPI 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. TSPI charges the Association 15% service fee based on members' contributions and premiums collected for the services rendered for the Association.

In 2021 and 2020, marketing and sales expenses amounting to P20.25 million and P18.10 million, respectively, were recognized as part of "Collection fees" in Other direct costs account in profit or loss (see Note 23).

Compensation of Key Management Personnel

Total short-term remuneration of the Association's key management personnel amounted to P4.14 million and P3.20 million for the years ended December 31, 2021 and 2020, respectively and are recorded under "Salaries and other employee benefits" in profit or loss. Retirement expense recorded in profit or loss amounted to P1.40 million and P0.43 million for the years ended December 31, 2021 and 2020, respectively.

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

In addition to the disclosures mandated under PFRSs, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the financial statements, certain supplementary information for the taxable year. The amounts relating to such supplementary information may not necessarily be the same with those amounts disclosed in the financial statements which were prepared in accordance with PFRSs. The following is the tax information required for the taxable year ended December 31, 2021:

Based on Revenue Regulations (RR) No. 15-2010

A. Value-added Tax

The Association is not subject to input or output VAT.

B. Taxes on Importation

The Association does not have any customs duties or tariff fees in 2021 since it does not have any importation.

C. Excise Taxes

The Association has no transactions subject to excise taxes.

D. Documentary Stamp Tax

The Association has no transactions subject to documentary stamp taxes.

E. Withholding Taxes

Tax on compensation and benefits	**P613,076**
Expanded withholding taxes	**89,200**
	P702,276

F. All Other Taxes (Local and National)

Other taxes paid during the year recognized under "Taxes and licenses" account under General and Administrative Expenses	
Licenses and permit fees	**P177,441**

G. Tax Contingencies

The Association has 2016 tax assessment which involved alleged income tax, percentage tax, withholding tax on compensation, expanded withholding tax, final withholding tax, tax deficiencies and compromise penalty. The BIR issued Final Assessment Notice in 2019 for the said tax assessment. The Association submitted Formal Protest Letter for the assessments together with documents in support thereof, in compliance with the sixty (60) day period to submit the same, pursuant to the Tax Code. In 2020, the Association received a FDDA for the 2016 tax assessment. The FDDA dropped the alleged deficiency assessment pertaining to final withholding tax and income tax but retained percentage tax, withholding tax on compensation, expanded withholding tax and compromise penalty. Subsequently, the Association sent an appeal to the Commissioner of Internal Revenue on the tax assessment on the ground that the Association is exempt from percentage tax, in accordance with Section 123 of NIRC, as amended, among others. In 2021, the Association received a WDL for the 2016 tax assessment. The Association then filed a Petition for Review before the CTA docketed as CTA Case No. 10691 to appeal the issuance of the WDL. There is no final decision yet from the CTA as of date.

H. Tax Cases

As at December 31, 2021, aside from the ongoing 2016 tax assessment, the Association is not a party to any outstanding tax case that is under investigation, litigation and/or prosecution in courts or bodies outside the BIR.

Based on RR No. 34-2020

In relation to Section 4 of BIR RR No. 34-2020, the Association is not covered by the prescribed requirements and procedures for the submission of BIR form No. 1709 Information Return on Related Party Transactions, Transfer Pricing Documentation and other supporting documents.