

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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Company Name

NOVO ECIJANO TEACHERS
MUTUAL BENEFIT
ASSOCIATION, INC.

Principal Office (No./Street/Barangay/City/Town)Province)

228 GABALDON STREET
SAN ROQUE, CABANATUAN CITY
NEVA ECIJANO

Form Type

A F S

Department requiring the report

Secondary License Type, If Applicable

COMPANY INFORMATION

Company's Email Address

novocijanotmbai@yahoo.com

Company's Telephone Number/s

4 6 4 - 2 0 6 3

Mobile Number

No. of Stockholders

Annual Meeting (Month/Day)

Any date in March

Fiscal Year (Month/Day)

12/31

CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person

MARIA ELOISA DIMAGIBA

Email Address

eloi.dimagiba@yahoo.com

Telephone Number/s

464-2063

Mobile Number

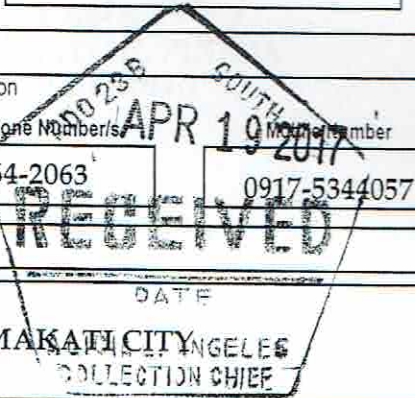
0917-5344057

CONTACT PERSON'S ADDRESS

UNIT 403 PLAZA I, DON CHINO ROCES, BANGKAL, MAKATI CITY

NOTE 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.





NOVO ECIJANO TEACHERS'
MUTUAL BENEFIT ASSOCIATION, INC.

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**


The management of Novo Ecijano Teachers Mutual Benefit Association, Inc. is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2016 and 2015, 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 or 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 members of the Association.

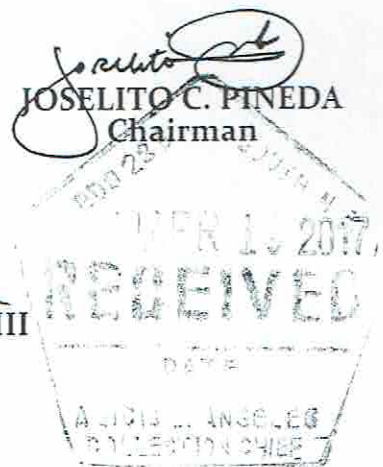
AMC & Associates, the independent auditors appointed by the Trustees, has audited the financial statements of the Association in accordance with Philippine Standards on Auditing and in its report to the members, has expressed its opinion on the fairness of presentation upon completion of such audit.


FORTUNATO L. DIMAGIBA, JR.
President


JOSELITO C. PINEDA
Chairman


ATTY. TOMAS F. LAHOM III
Treasurer

Signed this 10th day of April 2017



Financial Statements

NOVO ECIJANO TEACHERS
MUTUAL BENEFIT ASSOCIATION, INC.

December 31, 2016 and 2015



APR 19 2017

REPORT OF INDEPENDENT AUDITORS

The Board of Trustees
Novo Ecijano Teachers Mutual
Benefit Association, Inc.
(A Non-Stock, Non-Profit Association)

228 Gabaldon St., San Roque
Cabanatuan City, Nueva Ecija

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Novo Ecijano Teachers Mutual Benefit Association, Inc. (the Association), which comprise the statements of financial position as at December 31, 2016 and 2015, and the statements of comprehensive income, statements of changes in fund balance and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

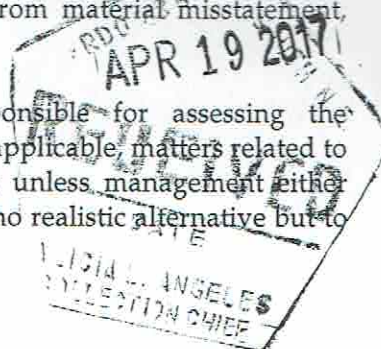
Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audits of the financial statements in the Philippines, the *Code of Ethics for Professional Accountants in the Philippines*, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 PFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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





Certified Public Accountants

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

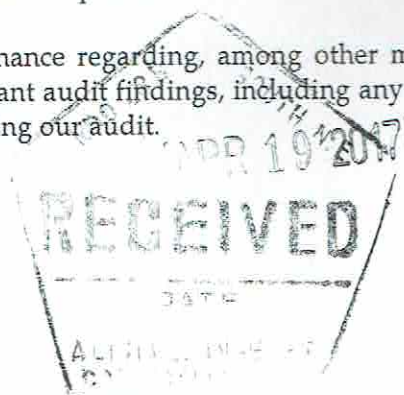
Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, 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 PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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



Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2016 required by the Bureau of Internal Revenue as disclosed in Note 25 of the financial statements is presented for purposes of additional analysis and is not a required part of financial statements prepared in accordance with PFRS. Such supplementary information is the responsibility of the management. The supplementary information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

AMC & ASSOCIATES

Ariel D. Gonzales
By: Ariel D. Gonzales
Partner
CPA Certification No. 89570
TIN 169-688-077-000
PTR No. 5915255, Jan. 6, 2017, Makati City
BIR Accreditation No. 08-003584-1-2016
(Mar. 18, 2016 to Mar. 17, 2019)
BSP Accreditation (Category B)
(Feb. 14, 2017 to Feb. 14, 2018)
IC Accreditation No. SP-2015/009-R
(Mar. 3, 2015 to Mar. 2, 2018)
SEC Accreditation No. 1331-AR-1 (Group C)
(Sep. 28, 2016 to Sep. 27, 2019)

April 10, 2017

**FIRM ACCREDITATION**

Aquino, Mata, Calica & Associates

BOA Accreditation No. 4275 - valid until June 28, 2020

SEC Accreditation No. 0164-FR-2 (Group B) - September 14, 2016 to September 13, 2019

BIR Accreditation No. 08-002582-0-2014 - valid until January 4, 2018

IC Accreditation No. F-2015/004-R - March 3, 2015 to March 2, 2018

CDA CEA No. 0075-AF - August 11, 2014 to August 10, 2017

BSP Accreditation (Category B) - February 14, 2017 to February 14, 2018

PRACTITIONER'S COMPILATION REPORT

To the Management

Novo Ecijano Teachers Mutual Benefit Association, Inc.
(A Non-Stock, Non-Profit Association)
228 Gabaldon St., San Roque
Cabanatuan City, Nueva Ecija


I have compiled the accompanying financial statements of Novo Ecijano Teachers Mutual Benefit Association, Inc. (A Non-Stock, Non-Profit Association) based on information you have provided. These financial statements comprise the statement of financial position of Novo Ecijano Teachers Mutual Benefit Association, Inc. as at December 31, 2016, the statement of income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

I have performed this compilation engagement in accordance with Philippine Standard on Related Services 4410 (Revised), *Compilation Engagements*.

I have applied our expertise in accounting and financial reporting to assist you in the preparation and presentation of these financial statements in accordance with Philippine Financial Reporting Standard (PFRS). I have complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care.

These financial statements and the accuracy and completeness of the information used to compile them are your responsibility.

Since a compilation engagement is not an assurance engagement, I am not required to verify the accuracy or completeness of the information you provided to me to compile these financial statements. Accordingly, I do not express an audit opinion or a review conclusion on whether these financial statements are prepared in accordance with PFRS.

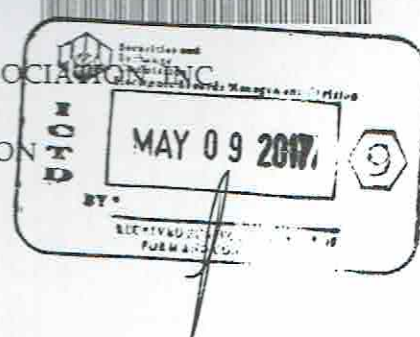


VIRGINIA GARCIA DELOS REYES
Certified Public Accountant

CPA Cert. No. 94531 valid until October 25, 2018
PTR No. 7806953, January 11, 2017, Plaridel, Bulacan
PRC/BOA Certificate of Accreditation No 3085
valid until December 31, 2018

April 10, 2017

NOVO ECIJANO TEACHERS MUTUAL BENEFIT ASSOCIATION, INC.
(A Non-Stock, Non-Profit Association)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015
(Amounts in Philippine Peso)



	2016	2015
<u>A S S E T S</u>		
CURRENT ASSETS		
Cash (Note 5)	P 5,381,323	P 6,865,811
Short-term investment (Note 6)	12,893,600	15,078,230
Loans and other receivables (Note 7)	78,875,252	73,476,862
Other current assets (Note 8)	<u>20,228</u>	<u>42,219</u>
Total Current Assets	97,170,403	95,463,122
NON-CURRENT ASSET		
Property and equipment (Note 9)	<u>7,915,951</u>	<u>9,587,092</u>
TOTAL ASSETS	<u>P 105,086,354</u>	<u>P 105,050,214</u>
<u>LIABILITIES AND FUND BALANCE</u>		
CURRENT LIABILITIES		
Accounts payable and other liabilities (Note 10)	P 1,252,903	P 11,924,528
Legal policy reserves (Note 11)	13,144,508	12,574,799
Members' deposits (Note 12)	<u>9,934,473</u>	<u>11,128,498</u>
Total Current Liabilities	<u>24,331,884</u>	<u>35,627,825</u>
NON-CURRENT LIABILITIES		
Accounts payable and other liabilities (Note 10)	12,532,369	2,215,940
Members' equity and contributions (Note 13)	<u>23,312,795</u>	<u>23,820,728</u>
Total Non-current Liabilities	<u>35,845,164</u>	<u>26,036,668</u>
Total Liabilities	<u>60,177,048</u>	<u>61,664,493</u>
FUND BALANCE		
Free and unassigned fund balance	12,080,969	12,332,899
Assigned fund balance (Note 17)	<u>32,828,397</u>	<u>31,052,822</u>
Total Fund Balance	<u>44,909,306</u>	<u>43,385,721</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>P 105,086,354</u>	<u>P 105,050,214</u>

See Notes to Financial Statements.

NOVO ECIJANO TEACHERS MUTUAL BENEFIT ASSOCIATION, INC.
(A Non-Stock, Non-Profit Association)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Amounts in Philippine Peso)

	2016	2015
REVENUES		
Interest on:		
Loans (Note 7)	P 6,958,963	P 7,317,075
Deposits with banks (Notes 5 and 6)	168,031	231,736
Service charges and fees (Note 7)	3,298,650	2,478,997
Membership fees, dues and contributions (Note 13)	2,012,134	2,599,182
Others	73,069	11,957
	<u>12,510,847</u>	<u>12,638,947</u>
EXPENSES (Note 14)		
Operating expenses	9,181,410	11,097,791
Benefit expenses	1,713,692	350,000
	<u>10,895,102</u>	<u>11,447,791</u>
PROFIT BEFORE TAX	1,615,745	1,191,156
TAX EXPENSE (Note 16)	33,606	46,347
NET PROFIT	1,582,139	1,144,809
COMPREHENSIVE INCOME	<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME	<u>P 1,582,139</u>	<u>P 1,144,809</u>

See Notes to Financial Statements.

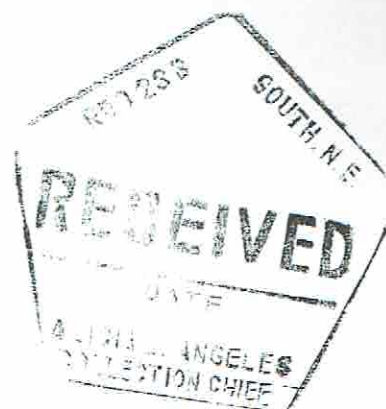


NOVO ECIJANO TEACHERS MUTUAL BENEFIT ASSOCIATION, INC.
(A Non-Stock, Non-Profit Association)
STATEMENTS OF CHANGES IN FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Amounts in Philippine Peso)

	<u>Free and Unassigned Fund Balance</u>		<u>Assigned Fund Balance</u>		<u>Total</u>
Balance at January 1, 2016 <i>(Note 17)</i>	P	12,332,899	P	31,052,822	P 43,385,721
Transfer to assigned fund balance <i>(Note 17)</i>	(	12,893,599		12,893,599	-
Utilization during the year <i>(Note 17)</i>		-	(	58,554	(58,554)
Transfer to unassigned fund balance		11,059,470	(	11,059,470	-
Total comprehensive income for the year		<u>1,582,139</u>		<u>-</u>	<u>1,582,139</u>
Balance at December 31, 2016	<u>P</u>	<u>12,080,909</u>	<u>P</u>	<u>32,828,397</u>	<u>P 44,909,306</u>
Balance at January 1, 2015 <i>(Note 17)</i>	P	13,196,223	P	29,931,695	P 43,127,918
Transfer to assigned fund balance <i>(Note 17)</i>	(	2,008,133		2,008,133	-
Utilization during the year <i>(Note 17)</i>		-	(	165,340	(165,340)
Dividends paid		-	(	721,666	(721,666)
Total comprehensive income for the year		<u>1,144,809</u>		<u>-</u>	<u>1,144,809</u>
Balance at December 31, 2015	<u>P</u>	<u>12,332,899</u>	<u>P</u>	<u>31,052,822</u>	<u>P 43,385,721</u>

See Notes to Financial Statements.

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NOVO ECIJANO TEACHERS MUTUAL BENEFIT ASSOCIATION, INC.

(A Non-Stock, Non-Profit Association)

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(Amounts in Philippine Peso)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	P 1,615,745	P 1,191,156
Adjustments for:		
Interest income (Notes 5, 6, and 7)	(7,126,994)	(7,548,811)
Depreciation (Note 9)	1,671,141	2,042,131
Impairment losses (Note 7)	245,619	196,740
Increase in legal policy reserves (Note 11)	569,709	1,007,615
Operating loss before working capital changes	(3,024,780)	(3,111,169)
Decrease (increase) in loans and other receivables	(5,637,876)	3,907,792
Decrease (increase) in other current assets	12,807,950	(161,833)
Decrease in accounts payable and other liabilities	(355,196)	(5,573,145)
Cash generated from (used in) operations	3,790,098	(4,938,355)
Interest received (Notes 5, 6 and 7)	6,984,777	7,351,406
Cash paid for taxes (Note 16)	(33,606)	(46,347)
Net Cash From Operating Activities	10,741,269	2,366,704
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in short-term investment (Note 6)	(10,601,329)	(25,457)
Interest received (Note 6)	136,084	222,540
Net Cash From (Used In) Investing Activities	(10,465,245)	197,083
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in members' equity and contributions	(507,933)	438,765
Utilization of assigned fund balance (Note 17)	(58,554)	165,340
Decrease in members' deposits (Note 12)	(1,194,025)	189,859
Dividends paid (Note 18)	-	(721,666)
Net Cash Used in Financing Activities	(1,760,412)	638,100
NET INCREASE (DECREASE) IN CASH	(1,484,488)	1,925,687
CASH AT BEGINNING OF YEAR	6,865,811	4,940,124
CASH AT END OF YEAR (Note 5)	P 5,381,323	P 6,865,811

See Notes to Financial Statements.

NOVO ECIJANO TEACHERS MUTUAL BENEFIT ASSOCIATION, INC.
(A Non-Stock, Non-Profit Association)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015
(Amounts in Philippine Peso)

1. CORPORATE INFORMATION

Organization and Objectives

Novo Ecijano Teachers Mutual Benefit Association, Inc. (the Association) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on October 19, 2001 with registration number A200102996. It's primarily engaged to foster brotherhood thru mutual help and benefit among its members, to encourage the habit of thrift and saving among its members, and to provide financial assistance to beneficiary or beneficiaries of deceased members in an amount to be determined by the trustee and as may be recommended by an actuary upon the death of a member.

The registered office of the Association is located at 228 Gabaldon St., San Roque, Cabanatuan City, Nueva Ecija.

Tax Exemption

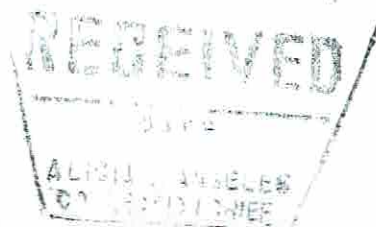
As a non-stock, non-profit association, the Association is exempt from the payment of income tax under Section 30c of the National Internal Revenue Code. However, the income of whatever kind and character of the Association from any of its properties, real or personal, or from any of its activities conducted for profit, regardless of the disposition made of such income, shall be subjected to tax. Moreover, interest income derived from deposit with banks is subject to final tax.

Approval of Financial Statements

The financial statements of the Association as of and for the year ended December 31, 2016 (including the comparative financial statements as of and for the year ended December 31, 2015) were authorized for issue by the Association's Board of Trustees (BOT) on April 10, 2017.

2. MEMBERSHIP

Any person eligible for membership shall become a member of the Association only after paying the initial membership fee and the first monthly contribution. Every member in good standing shall have the right, among others, to participate in the distribution of profit of the Association on the basis of his capital contributions after the Association has set aside such reserves as may be required by any existing laws and regulations. In addition, the member can avail of loans in accordance with his borrowing capacity subject to the limitations as provided for under the existing rules and regulations of the Association.



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of Preparation of Financial Statements

a. Statement of Compliance with Philippine Financial Reporting Standards for Mutual Benefits Associations (MBAs)

The financial statements of the Association have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) in the Philippines applicable to MBAs.

Pursuant to Section 189 of The Amended Insurance Code, the Insurance Commission issued Circular Letter No. 2014-41 dated September 25, 2014 requiring all new and existing mutual benefits associations doing business in the Philippines to use and maintain the revised Standard Chart of Accounts (SCA) for MBAs. The prescribed SCA is to be used by associations in their preparation of financial statements effective for the annual period 2014. The adoption of this standard results to classification of accounts in the 2013 financial statements.

The SCA for MBAs will list a uniform system of account numbers categorized based on MBAs' revenue, expenses, assets, liabilities and fund value for similar transactions and events, in compliance with the latest Philippine Accounting Standards (PAS) and PFRS.

The financial statements have been prepared using the measurement bases specified by PFRS for each type of assets, liabilities, income and expense. The measurement bases are more fully described in the accounting policies that follow.

b. Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Association presents all items of income and expenses in a single statement of comprehensive income.

The Association presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

c. Functional and Presentation Currency

These financial statements are presented in Philippine peso, the Association's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Association are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Association operates.

Adoption of New and Amended PFRS

a. Effective in 2016 that are Relevant to the Association

The Association adopted for the first time the following amendment and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after July 1, 2016:

PAS 1 (Amendments)	:	Presentation of Financial Statements - Disclosure Initiative
Annual Improvements	:	Annual Improvements to PFRS (2012-2014 Cycle)

Discussed below are the relevant information about these amended and improvements.

- i. PAS 1 (Amendments), Presentation of Financial Statements - Disclosure Initiative. The amendments encourage entities to apply professional judgment in presenting and disclosing information in the financial statements. Accordingly, they clarify that materiality applies to the whole financial statements and an entity shall not reduce the understandability of the financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. Moreover, the amendments clarify that an entity's share in other comprehensive income of associates and joint ventures accounted for using equity method should be presented based on whether or not such other comprehensive income item will subsequently be reclassified to profit or loss. They further clarify that in determining the order of presenting the notes and disclosures, an entity shall consider the understandability and comparability of the financial statements.
- ii. Annual Improvements to PFRS (2012-2014 Cycle). Among the improvements, the following amendments are relevant to the Association but had no material impact on the Association's financial statements as these amendments merely clarify the existing requirements:
 - PAS 19 (Amendments), *Employee Benefits - Discount Rate: Regional Market Issue*. The amendments clarify that the currency and term of the high quality corporate bonds which were used to determine the discount rate for post-employment benefit obligations shall be made consistent with the currency and estimated term of the post-employment benefit obligations.
 - PFRS 5 (Amendments), *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*. The amendments clarify that when an entity reclassifies an asset (or disposal group) directly from being held for sale to being held for distribution (or vice-versa), the accounting guidance in paragraphs 27-29 of PFRS 5 does not apply. They also state that when an entity determines that the asset (or disposal group) is no longer available for immediate distribution or that the distribution is no longer highly probable, it should cease held-for-distribution accounting and apply the guidance in paragraphs 27-29 of PFRS 5.

- PFRS 7 (Amendments), *Financial Instruments: Disclosures – Servicing Contracts*. The amendments provide additional guidance to help entities identify the circumstances under which a contract to “service” financial assets is considered to be a continuing involvement in those assets for the purposes of applying the disclosure requirements of PFRS 7. Such circumstances commonly arise when, for example, the servicing is dependent on the amount or timing of cash flows collected from the transferred asset or when a fixed fee is not paid in full due to non-performance of that asset.

a. *Effective in 2016 that are not Relevant to the Association*

The following annual improvements to PFRS are mandatory for accounting periods beginning on or after January 1, 2016 but are not relevant to the Association’s financial statements:

PAS 16 and 38 (Amendments)	:	Property, Plant and Equipment, and Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization
PAS 16 and 41 (Amendments)	:	Property, Plant and Equipment, and Agriculture – Bearer Plants
PAS 27 (Amendments)	:	Separate Financial Statements – Equity Method in Separate Financial Statements
PFRS 10, PFRS 12 and PAS 28 (Amendments)	:	Consolidated Financial Statements, Disclosure of Interests in Other Entities, and Investments in Associates and Joint Ventures – Investment Entities – Applying the Consolidation Exception
PFRS 11 (Amendments)	:	Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations
PFRS 14	:	Regulatory Deferral Accounts

b. *Effective Subsequent to 2016 but not Adopted Early*

There are new PFRS and amendments to existing standards effective for annual periods subsequent to 2016, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Association's financial statements:

- i. PAS 7 (Amendment), *Statement of Cash Flows - Disclosure Initiative* (effective from January 1, 2017). The amendments are designed to improve the quality of information provided to users of financial statements about changes in an entity's debt and related cash flows (and non-cash changes). They require an entity to provide disclosures that enable users to evaluate changes in liabilities arising from financing activities. An entity applies its judgment when determining the exact form and content of the disclosures needed to satisfy this requirement. Moreover, they suggest a number of specific disclosures that may be necessary in order to satisfy the above requirement, including: (a) changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses; and, (b) a reconciliation of the opening and closing balances of liabilities arising from financing activities in the statement of financial position including those changes identified immediately above.
- ii. PAS 12 (Amendments), *Income Taxes - Recognition of Deferred Tax Assets for Unrealized Losses* (effective from January 1, 2017). The focus of the amendments is to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost. The amendments provide guidance in the following areas where diversity in practice previously existed: (a) existence of a deductible temporary difference; (b) recovering an asset for more than its carrying amount; (c) probable future taxable profit against which deductible temporary differences are assessed for utilization; and, (d) combined versus separate assessment of deferred tax asset recognition for each deductible temporary difference.
- iii. PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will replace PAS 39 and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:
 - three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;
 - an expected loss model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,
 - a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

Management is currently assessing the impact of PFRS 9 (2014) on the financial statements of the Association and it will conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

Cash and Cash Equivalents

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

Short-term Investment

Short-term investment includes time deposits with original maturities of more than three months but less than one year.

Financial Instruments

1. Financial Assets

Financial assets are recognized when the Association becomes a party to the contractual terms of the financial instrument. Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at Fair Value Through Profit or Loss (FVTPL), loans and receivables, held-to-maturity (HTM) investments and available-for-sale (AFS) financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value, plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recognized at fair value and transaction costs related to it are recognized in profit or loss. A more detailed description of the four categories of financial assets is as follows:

a. *Financial Assets at FVTPL*

This category includes financial assets that are either classified as held for trading or that meets certain conditions and are designated by the entity to be carried at fair value through profit or loss upon initial recognition. All derivatives fall into this category, except for those designated and effective as hedging instruments. Assets in this category are classified as current if they are either held for trading or are expected to be realized within 12 months from the end of each reporting period.

Financial assets at FVTPL are measured at fair value, and changes therein are recognized in profit or loss. Financial assets (except derivatives and financial instruments originally designated as financial assets at fair value through profit or loss) may be reclassified out of FVTPL category if they are no longer held for the purpose of being sold or repurchased in the near term.

As of December 31, 2016 and 2015, the Association does not have financial assets designated at FVTPL.

b. *Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Association provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for those with maturities greater than 12 months after the end of each reporting period, which are classified as non-current assets.

The Association's financial assets categorized as loans and receivables are presented as Cash in banks, Short-term investment and Trade and other receivables in the statement of financial position. Cash in banks pertains to demand deposits which are subject to insignificant risk of changes in value. Short-term investment has maturities of more than three months.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any. Impairment loss is provided when there is any objective evidence that the Association will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the 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 (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the profit or loss.

c. *HTM Investments*

This category includes non-derivative financial assets with fixed or determinable payments and a fixed date of maturity that the Association has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. If the Association were to sell other than insignificant amount of HTM investments, the whole category would be tainted and reclassified to AFS financial assets. HTM investments are included in non-current assets under the Other non-current financial assets account in the statement of financial position, except those maturing within 12 months from end of the reporting period, which are presented as part of current assets.

Subsequent to initial recognition, HTM investments are measured at amortized cost using the effective interest method, less impairment losses, if any. Impairment loss, which is the difference between the carrying value and the present value of estimated future cash flows of the investment, is recognized when there is objective evidence that the investment has been impaired.

As of December 31, 2016 and 2015, the Association does not have financial assets designated at HTM.

d. *AFS Financial Assets*

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are included in non-current assets under the Other non-current financial assets account in the statement of financial position unless management intends to dispose of the investment within 12 months from the reporting period

All financial assets within this category are subsequently measured at fair value. Gains and losses from changes in fair value are recognized in other comprehensive income, net of any income tax effects, and are reported as part of the Revaluation reserves account in equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss.

When the financial asset is disposed of or is determined to be impaired, that is, when there is a significant or prolonged decline in the fair value of the security below its cost, the cumulative fair value gains or losses recognized in other comprehensive income is reclassified from equity to profit or loss and is presented as reclassification adjustment within other comprehensive income even though the financial asset has not been derecognized.

Reversal of impairment losses are recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of Finance costs or Finance income account in the comprehensive income.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

As of December 31, 2016 and 2015, the Association does not have AFS financial assets.

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

2. Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when the Association currently has legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of reporting period, that is, it is not contingent on future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

3. Impairment of Financial Assets

The Association assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (events) has (have) an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Association about certain loss events, including, among others: significant financial difficulty of the issuer or debtor; a breach of contract, such as a default or delinquency in interest or principal payments; it is probable that the borrower will enter bankruptcy or other financial reorganization; the disappearance of an active market for that financial asset because of financial difficulties; or observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group.

a. Assets Carried at Amortized Cost

The Association first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Association determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial asset with similar credit risk characteristics and collectively assesses them 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 a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans or HTM investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit loss that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of income. If loans or HTM investments have a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Association may measure impairment on the basis of an instrument's fair value using an observable market price.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Association's grading process that considers asset type, industry, geographical location, collateral type, past due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Association and historical loss experience for assets with credit risk characteristics similar to those in the Association. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimated future cash flows are reviewed regularly by the Association to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the statement of income.

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 (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the statement of income.

b. Assets Carried at Fair Value

The Association assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired.

If any such evidence exists for AFS securities, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from capital funds and recognized in the statement of income.

Impairment losses recognized in the statement of income on equity instruments are not reversed through the statement of income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the statement of income.

c. Assets Carried at Cost

If there is objective evidence of impairment for any of the unquoted equity securities carried at cost, the amount of impairment loss is recognized. The amount of impairment loss is the difference between the carrying amount of the equity security and the present value of the estimated future cash flows discounted at the current market rate of return of a similar asset. Impairment losses on assets carried at cost cannot be reversed.

4. *Financial Liabilities*

Financial liabilities are classified as financial liabilities at FVTPL, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Association determines the classification of its financial liabilities at initial recognition.

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

As at December 31, 2016 and 2015, the Association did not have financial liabilities at FVTPL or derivative liabilities designated as hedging instruments.

The Association's financial liabilities include accounts payable and other liabilities, legal policy reserves, dividends payable and members' deposits, member's equity contributions. These are recognized when the Association becomes a party to the contractual agreements of the instrument.

Accounts payable and other liabilities, members' deposits and member's equity contributions are initially recognized at their fair value and subsequently measured at amortized cost, using effective interest method for any maturities beyond one year, less settlement payments.

Legal policy reserves are recognized as financial liabilities based on the amounts recommended by an independent actuary.

Dividends distributions to members and trustees are recognized as financial liabilities upon declaration by the Association.

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 the profit or loss in the statement of comprehensive income.

Property and Equipment

Property and equipment are carried at acquisition or construction cost less accumulated depreciation and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred. When assets are sold, retired or otherwise disposed of, their cost and related accumulated depreciation and impairment losses are removed from the accounts and any resulting gain or loss is reflected in income for the period.

Following initial recognition at cost, building and improvements are carried at revalued amounts which are the fair value at the date of the revaluation, as determined by independent appraisers, less subsequent accumulated depreciation (on buildings and improvements) and any accumulated impairment losses.

Depreciation is computed on the straight-line basis over the estimated useful life of the assets as follows:

Building	10 years
Transportation equipment	5 years
Office equipment	3 years
Furniture and fixtures	3 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The residual values and estimated useful life of property and equipment are reviewed, and adjusted if appropriate, at each reporting date.

An item of property and equipment, including the related accumulated depreciation and impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statements of comprehensive income in the year the item is derecognized.

Other Current Assets

This account pertains to other resources controlled by the Association as a result of past events. They are recognized in the financial statements when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably.

Other current assets account includes guaranty fund set aside in compliance with the Association's registration as a mutual benefit Association. This guaranty fund is categorized as financial assets (see discussion on Financial Assets above).

Impairment of Non-financial Assets

The Association's property and equipment are subject to impairment testing. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). As a result, assets are tested for impairment either individually or at the cash generating unit level.

Impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Association's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

Fair Value of Financial Instruments

The fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models.

Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Association that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Association can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

Revenue and Cost Recognition

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

- a. *Interest* - revenue is recognized as the interest accrues taking into account the effective yield on the asset, except that no interest is accrued on past due loans in accordance with Association's policy.

Interest collected in advance (unearned interest income) is amortized to earnings using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Association estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

- b. *Service charges and fees* - revenue is amortized and recognized using the effective interest rate method as income over the term of the loan.
- c. *Membership fees, dues and contributions* - revenue is recognized monthly as they become due from members and is reliably measured.

Cost and operating expenses are recognized in profit or loss upon utilization of services or at the date they are incurred.

Short-term Benefits

Short-term employee benefits are recognized as expense in the period when the economic benefits are given. Unpaid benefits at the end of the accounting period are recognized as accrued expense while benefits paid in advance are recognized as prepayment to the extent that it will lead to a reduction in future payments. Short-term benefits given by the Association to its employees include salaries and wages, social security contributions, short-term compensated absences, profit-sharing and bonuses, and non-monetary benefits.

Retirement Benefits

The Association accrues the estimated cost of retirement benefits required by the provisions of Republic Act No. 7641 (R.A. 7641), Retirement Law. Under R.A. 7641, the Association is required to provide minimum retirement benefits to qualified employees.

Leases

Leases which do not transfer to the Association substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the statements of comprehensive income on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

The Association determines whether an arrangement is, or contains a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Income Taxes

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Fund Balance

Assigned fund balance comprises of appropriation transferred from undistributed earnings.

Free and unassigned fund balance includes all current and prior period results as disclosed in the statements of comprehensive income, net of transferred to assigned fund balanced.

Related Party Transactions and Relationship

Related party transactions are transfers of resources, services or obligations between the Association and its related parties, regardless whether a price is charged.

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

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

Events after the End of the Reporting Period

Any post-year-end event that provides additional information about the Association's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Association's financial statements in accordance with PFRS require management to make judgments and estimates that affect amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances. Actual results may ultimately differ from these estimates.

Critical Management Judgments in Applying Accounting Policies

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

a. Classification of Financial Instruments

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

The Association classifies financial 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 quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

b. Distinction between Operating and Finance Leases

The Association has entered into lease agreement as a lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

c. Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 3 above and disclosures on relevant provisions and contingencies are presented in Note 19.

Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

a. Impairment of Loans and Other Receivables

Adequate amount of allowance for impairment is provided for specific and groups of accounts, where objective evidence of impairment exists. The Association evaluates the amount of allowance for impairment based on available facts and circumstances, including, but not limited to, the length of the Association's relationship with the borrowers, the borrowers' current credit status based on known market forces, average age of accounts, collection experience and historical loss experience. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Association to reduce any differences between loss estimates and actual loss experience.

The carrying value of loans and other receivables and the analysis of allowance for impairment on such financial assets are shown in Note 7.

b. Determining Fair Value of Financial Instruments

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

The fair values of the Association's financial instruments are disclosed in Note 22.

c. Estimating Useful Life of Property and Equipment

The Association estimates the useful life of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful life of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The carrying amounts of property and equipment are analysed in Note 9. Based on management's assessment as at December 31, 2016 and 2015, there is no change in estimated useful life of those assets during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

d. *Impairment of Non-financial Assets*

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

5. CASH

This account comprises of the following:

	<u>2016</u>	<u>2015</u>
Cash in banks	P 5,371,323	P 6,855,811
Petty cash fund	<u>10,000</u>	<u>10,000</u>
	<u>P 5,381,323</u>	<u>P 6,865,811</u>

Cash in banks generally earn interest at rates based on daily banks deposit rates. The interest earned in cash in banks amounted to P25,814 in 2016 and P34,331 in 2015 and are presented as part of interest on deposits with banks in the statements of comprehensive income.

6. SHORT-TERM INVESTMENT

Short-term investment amounted to P12,893,600 in 2016 and P15,078,230 in 2015 is a one-year term deposit placement with a local bank bearing an annual effective interest of 0.5% to 1% in 2016 and 0.75% in 2015. The interest earned on short-term placement amounted to P142,217 in 2016 and P197,405 in 2015 and are presented as part of Interest on deposits with banks in the statements of comprehensive income.

Short-term investment consists of time deposit placements with local banks set aside in compliance with the Association's registration as a mutual benefit association.

7. LOANS AND OTHER RECEIVABLES

The details of this account are shown below:

	<u>2016</u>	<u>2015</u>
Consumption loans	P 93,438,384	P 67,453,386
Unearned interest income	(10,936,045)	(6,785,951)
	82,502,339	60,667,435
Other receivables:		
Accounts receivable	1,490,886	17,824,036
Members' contribution due and uncollected	425,570	389,400
Unremitted members contributions	222,950	235,850
Accrued interest receivable	39,067	32,934
	84,680,812	79,149,655
Allowance for impairment losses	(5,805,560)	(5,672,793)
	<u>P 78,875,252</u>	<u>P 73,476,862</u>

The Association grants loans ranging from P1,000 to P1,000,000 with-term ranging from 2 to 3 years and bears annual effective interest of 4% in 2016 and 7.5% in 2015. Collections of these loans are made through salary deductions whereby the Association authorizes the Treasurer, Cashier, Paymaster or the Payroll Division Department of borrowers' paying agencies to deduct loan amortization from the borrowers' salaries. Interest on loan amounted to P6,958,963 and P7,317,075 in 2016 and 2015, respectively.

The Association collects service fees of 6% on every loans granted. The service fees recognized amounted to P3,298,650 in 2016 and P2,478,997 in 2015 and are presented as part of Revenues in the statements of comprehensive income.

Past due loans amounted to P111,501 in 2015.

Accounts receivable represents the unremitted collections from the regional Department of Education.

Members' contribution due and uncollected represents on all members certificates which are classified as in force on the valuation records.

The movement in the allowance for impairment losses are as follows:

	<u>2016</u>	<u>2015</u>
Balance at beginning of year	P 5,672,793	P 5,514,401
Impairment losses during the year (see Note 14)	245,619	196,740
Recovery	(112,852)	(38,348)
Balance at end of year	<u>P 5,805,560</u>	<u>P 5,672,793</u>

The Association provides collectively impairment losses aside from specifically impaired receivables.

8. OTHER CURRENT ASSETS

This account consists of unused supplies amounted to P20,228 and P42,219 as of December 31, 2016 and 2015 respectively.

9. PROPERTY AND EQUIPMENT

The gross carrying amounts and the accumulated depreciation at the beginning and end of 2016 and 2015 are shown below:

	Office Equipment	Furniture and Fixtures	Transportation Equipment	Building	Total
December 31, 2016,					
Cost	P 1,290,983	P 938,330	P 1,898,908	P 14,125,252	P 18,253,473
Accumulated depreciation	(1,290,946)	(909,016)	(1,898,907)	(6,238,653)	(10,337,522)
Net carrying amount	<u>P 37</u>	<u>P 29,314</u>	<u>P 1</u>	<u>P 7,886,599</u>	<u>P 7,915,951</u>
December 31, 2015,					
Cost	P 1,290,983	P 938,330	P 1,898,908	P 14,125,252	P 18,253,473
Accumulated depreciation	(1,239,829)	(733,164)	(1,867,260)	(4,826,128)	(8,666,381)
Net carrying amount	<u>P 51,154</u>	<u>P 205,166</u>	<u>P 31,648</u>	<u>P 9,299,124</u>	<u>P 9,587,092</u>

A reconciliation of the carrying amounts at the beginning and end of 2016 and 2015, of property and equipment is shown below:

	Office Equipment	Furniture and Fixtures	Transportation Equipment	Building	Total
Balance at January 1, 2016, net of accumulated depreciation	P 51,154	P 205,166	P 31,648	P 9,299,124	P 9,587,092
Depreciation for the year (see Note 14)	(51,117)	(175,852)	(31,647)	(1,412,525)	(1,671,141)
Balance at December 31, 2016 net of accumulated depreciation	<u>P 37</u>	<u>P 29,314</u>	<u>P 1</u>	<u>P 7,886,599</u>	<u>P 7,915,951</u>
Balance at January 1, 2015, net of accumulated depreciation	P 125,126	P 381,018	P 411,430	P 10,711,649	P 11,629,223
Depreciation for the year (see Note 14)	(73,972)	(175,852)	(379,782)	(1,412,525)	(2,042,131)
Balance at December 31, 2015 net of accumulated depreciation	<u>P 51,154</u>	<u>P 205,166</u>	<u>P 31,648</u>	<u>P 9,299,124</u>	<u>P 9,587,092</u>

The building with a net carrying value of P7,886,599 as of December 31, 2016 and P9,299,124 as of December 31, 2015 was acquired under installment (see Note 10).

There were no expenses recognized related to impairment in both years.

10. ACCOUNTS PAYABLE AND OTHER LIABILITIES

This account consists of:

	<u>2016</u>	<u>2015</u>
Accounts payable	P 10,486,541	P 11,454,410
Retirement benefit obligation (see Note 15)	2,373,038	2,215,940
Management and other professional fees payable	264,600	384,960
Others	<u>661,093</u>	<u>85,158</u>
	<u>P 13,785,272</u>	<u>P 14,140,468</u>

The balances of this account are presented in the statements of financial position as follows:

	<u>2016</u>	<u>2015</u>
Current	P 1,252,903	P 11,924,528
Non-current	<u>12,532,369</u>	<u>2,215,940</u>
	<u>P 13,785,272</u>	<u>P 14,140,468</u>

Accounts payable includes the cost of building under contract to sell (CTS) with the developer which is initially recorded at the present value of the installment payable. The outstanding balance of this payable amounted to P10,159,331 in 2016 and P11,127,703 in 2015 (see Note 9).

11. LEGAL POLICY RESERVES

This account represents the amount set-up by the Association to cover future benefit payments to members based on the amounts recommended by an independent actuary accredited by the Insurance Commission, dated March 21, 2017.

The movement in the legal policy reserves is presented below:

	<u>2016</u>	<u>2015</u>
Balance at beginning of year	P 12,574,799	P 11,567,184
Increase during the year	<u>569,709</u>	<u>1,007,615</u>
Balance at end of year	<u>P 13,144,508</u>	<u>P 12,574,799</u>

12. MEMBERS' DEPOSITS

This account is composed of members' deposits amounting to P9,934,473 and P11,128,498 as of December 31, 2016 and 2015, respectively, presented as current liabilities in the statements of financial position (see Note 13).

13. MEMBERS' EQUITY AND CONTRIBUTIONS

The Association collects P100 as initial membership fee to be eligible as a member in the Association. The total initial membership fees amounted to P504,900 and P521,900 in 2016 and 2015, respectively, are presented as part of contributions under the Members' equity and contributions under non-current liabilities section in the statements of financial position. As of December 31, 2016 and 2015, the Association has a total of 5,045 and 5,219 members, respectively.

A member shall pay P250 monthly contributions which shall be allocated as follows:

Members' deposits	P	200
Equity participation		25
Member contributions		14
Membership fees and dues		<u>11</u>
	P	<u>250</u>

The Associations classifies the member's equity and contribution as non-current liabilities since members can withdraw the equity contributions upon termination of membership in the Association.

Of the amount allocated to members' deposits, P100 can be withdrawn upon termination of membership while the remaining balance can be withdrawn anytime as long as the total amount of the deposits is greater than the members' outstanding loan balance.

Member contributions and membership fees and dues are recorded as revenues and are shown as Membership fees, dues and contributions account in the statements of comprehensive income. Membership fees, dues and contributions amounted to P2,012,134 and P2,599,182 in 2016 and 2015, respectively.

14. EXPENSES

The details of these accounts are shown below:

	2016	2015
Salaries and employee benefits (<i>see Note 15</i>)	P 4,995,006	P 4,968,987
Depreciation (<i>see Note 9</i>)	1,671,141	2,042,131
Professional fees	1,213,078	1,323,780
Increase in legal policy reserves	569,709	1,007,615
Security	288,000	264,000
Rentals (<i>see Note 19</i>)	254,000	248,000
Impairment losses (<i>see Note 7</i>)	245,619	196,740
Communication and utilities	190,852	245,921
Taxes and licenses (<i>see Note 25</i>)	154,545	287,143
Office supplies	59,826	49,007
Transportation and travel	10,897	310,936
Repairs and maintenance	9,743	15,286
Others	<u>1,232,686</u>	<u>488,245</u>
	<u>P 10,895,102</u>	<u>P 11,447,791</u>

These expenses are presented in the statements of income as follows:

	<u>2016</u>	<u>2015</u>
Operating expenses	P 9,181,410	P 11,097,791
Benefit expenses	<u>1,713,692</u>	<u>350,000</u>
	<u>P 10,895,102</u>	<u>P 11,447,791</u>

15. EMPLOYEES' BENEFITS

Expenses recognized for salaries and employee benefits are presented below:

	<u>2016</u>	<u>2015</u>
Salaries and wages	P 3,163,782	P 2,787,524
Employees' welfare and benefits	1,496,850	1,742,240
Retirement benefits	157,098	269,572
Social security costs	<u>177,276</u>	<u>169,651</u>
	<u>P 4,995,006</u>	<u>P 4,968,987</u>

The Association was not able to obtain an actuarial valuation of its retirement benefit expense for 2016 and 2015 and the corresponding retirement benefit obligations as of December 31, 2016 and 2015, in accordance with PAS 19 (as revised). However, the Association provides the estimated retirement benefit obligation based on the provision of Republic Act No. 7641, Retirement Law, amounted to P2,373,038 and P2,215,940 as of December 31, 2016 and 2015 respectively, included as part of Accounts payable and other liabilities account (*see Note 10*).

16. TAX EXPENSE

As mentioned in Note 1, the Association is exempt from the payment of income tax under Section 30c of the National Internal Revenue Code.

The tax expense reported in the statements of comprehensive income represents the 20% final tax withheld on interest income on deposits with banks amounting to P33,606 in 2016 and P46,347 in 2015.

17. FUND BALANCE

Assigned Fund Balance

This account consist of the following:

	<u>2016</u>	<u>2015</u>
Guaranty fund	P 12,893,599	P -
Community, research and development	9,967,399	15,514,333
Members' education & scholarship	4,983,700	6,958,408
Capacity building	3,322,466	4,107,217
Improving system & equipment	1,661,233	3,782,765
Members' benefits fund	<u>-</u>	<u>690,099</u>
Balance at end of year	<u>P 32,828,397</u>	<u>P 31,052,822</u>

The reconciliation of assigned fund balance is presented below:

	<u>2016</u>	<u>2015</u>
Balance at beginning of year	P 31,052,822	P 29,931,695
Additional reserves during the year	12,893,599	2,008,133
Utilization of reserves during the year	(58,554)	(165,340)
Transfer to unassigned fund balance	(11,059,470)	-
Dividends paid	<u>-</u>	<u>(721,666)</u>
Balance at end of year	<u>P 32,828,397</u>	<u>P 31,052,822</u>

Fund Assigned for Community Research and Development

At least 6% shall be set-aside for projects, activities & research that will benefit the community where the MBAs operates.

Fund Assigned for Member's Educational and Scholarship

At least 3% shall be set-aside for scholarship to members' children with good academic performance. The benefit includes free tuition and allowance.

Fund Assigned for Capacity Building

At least 2% shall be set-aside for future construction/acquisition of buildings.

Fund Assigned for Improving Systems and Equipment

At least 1% shall be set-aside for future acquisition of equipment and others that will benefit the members.

18. DIVIDENDS

On December 5, 2015, the Board of Trustees of the Association declared dividends amounting to P690,099. The dividends declared have already paid following the year of declaration. In 2015, the declared dividends is transferred to members' benefit fund as part of Assigned fund balance in the statements of changes in fund balance.

In 2016, the assigned fund balance was transferred back to surplus free account as presented in the statement of changes in fund balance.

19. COMMITMENTS AND CONTINGENCIES

Operating Lease

The Association is a lessee under operating lease on its office space covering a period of five years from September 1, 2013 to August 31, 2018, with renewal options. The future minimum rentals from this lease as of December 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Due within one year	P 260,000	P 254,000
Due beyond one year	<u>176,000</u>	<u>436,000</u>
	<u>P 436,000</u>	<u>P 690,000</u>

Total rental expense from this operating lease amounted to P254,000 in 2016 and P248,000 in 2015 (see Note 14) presented as operating expenses in the statements of comprehensive income.

Others

In the normal course of business, the Association makes various commitments and incurs certain contingent liabilities that are not given recognition in the Association's financial statements. As of December 31, 2016, management believes that losses, if any, that may arise from these commitments and contingencies will not have a material effect on the Association's financial statements.

20. RELATED PARTY TRANSACTIONS AND RELATIONSHIP

The Association's related parties include the Association's employees and key management personnel.

The Association's transactions and outstanding balance with its related parties follows:

	2016		2015	
	<u>Amount of Transaction</u>	<u>Outstanding Balance</u>	<u>Amount of Transaction</u>	<u>Outstanding Balance</u>
Key management and employees				
Loans receivable	P 354,874	P 2,832,984	P 770,751	P 2,478,110
Interest on loans	65,270	-	323,325	-
Compensation	4,352,965	-	4,273,440	-

Loans and Receivables with Related Parties

In the ordinary course of business, the Association has loans and other transactions with its members, including officers and employees of the Association (hereinafter referred to as related parties). Under the Association's policy, these loans and other transactions are made substantially on the same terms as with other members. In 2016 and 2015, the Association's outstanding loans to related parties amounted to P2,832,984 and P2,478,110, respectively, and are shown as part of Loans and other receivables account in the statements of financial position (see Note 7).

The movements of these loans to related parties are presented below:

	<u>2016</u>	<u>2015</u>
Balance at beginning of year	P 2,478,110	P 1,707,359
Releases during the year	1,017,765	1,473,765
Collections during the year	(662,891)	(703,014)
Balance at end of year	<u>P 2,832,984</u>	<u>P 2,478,110</u>

Interest income on these amounted to P65,270 in 2016 and P323,325 in 2015 and are presented as part of Interest on loans in the statements of comprehensive income.

Key Management Compensation

The compensation of key management is broken down as follows:

	2016	2015
Salaries and wages	P 1,660,360	P 1,660,360
Retirement benefits	1,750,775	1,671,250
Employees' benefits	882,070	882,070
Social security costs	59,760	59,760
	<u>P 4,352,965</u>	<u>P 4,273,440</u>

Key management includes general manager and president of the Association.

21. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Association is exposed to a variety of financial risks in relation to financial instruments. The Association's financial assets and liabilities by category are summarized in Note 22. The main types of risks are market risk, credit risk and liquidity risk.

The management takes charge of the Association's overall risk management strategies which is focused on actively monitoring and securing the Association's short to medium-term cash flows by minimizing the exposure to financial markets.

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

Market Risk

The Association is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks which result from both its operating and investing activities.

a. Foreign Currency Sensitivity

The Association has no significant exposure to foreign currency risks as most transactions are denominated in Philippine peso, its functional currency.

b. Interest Rate Sensitivity

The Association's policy is to minimize interest rate cash flow risk exposures on long-term financing. The Association is exposed only to changes in market interest rates through its cash and cash equivalents, short-term investment and guaranty fund as there are no existing bank borrowings. All other financial assets (such as loans and receivables) and financial liabilities (such as accounts payable and members' deposits) have fixed interest rates.

The sensitivity of the net result for the year to a reasonable possible change in interest rates of +/-1.82% for regular savings and +/-1.90% for cash in banks and time deposits placements, with effect from the beginning of the year for financial instruments, have no significant impact on the Association's financial statements. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations is based on changes in the average market interest rates for the period, and the financial instruments held at the end of each reporting period that are sensitive to changes in interest rates. All other variables are held constant.

c. *Other Price Risk Sensitivity*

The Association has no significant concentrations of other market price risk.

Credit Risk

Credit risk is the risk that counterparty fails to discharge an obligation to the Association. The Association is exposed to this risk for various financial instruments, for example by granting loans and receivables to borrowers, placing deposits and investment in bonds.

An analysis of the maximum exposure to credit risk, net of allowance for credit and impairment losses, to credit risk exposures before taking into account any collateral held or other credit enhancements for the components of the statements of financial position is shown below:

		2016	2015
Cash	P	5,381,323	P 6,855,811
Short-term investment		12,893,600	15,078,230
Loans and other receivables		<u>95,616,857</u>	<u>85,935,606</u>
	P	<u>113,891,780</u>	<u>P 107,869,647</u>

The following tables show the credit quality of financial assets by class (gross of allowance) of the Association:

	2016					
	Neither Past Due Nor Impaired			Past Due		Total
	High Grade	Standard Grade	Substandard Grade	But Not Impaired	Impaired	
Cash	P 5,381,323	P -	P -	P -	P -	P 5,381,323
Short-term investment	12,893,600	-	-	-	-	12,893,600
Loans and receivables:						
Consumption	87,632,824	-	-	-	5,805,560	93,438,384
Members' contribution due and uncollected	425,570	-	-	-	-	425,570
Unremitted members contributions	222,950	-	-	-	-	222,950
Accounts receivable	1,490,886	-	-	-	-	1,490,886
Accrued interest receivable	<u>39,067</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,067</u>
	<u>P108,086,220</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P 5,805,560</u>	<u>P 113,891,780</u>

	2015					
	Neither Past Due Nor Impaired			Past Due		Total
	High Grade	Standard Grade	Substandard Grade	But Not Impaired	Impaired	
Cash	P 6,865,811	P -	P -	P -	P -	P 6,865,811
Short-term investment	15,078,230	-	-	-	-	15,078,230
Loans and receivables:						
Consumption	61,669,092	-	-	111,501	5,672,793	67,453,386
Members' contribution due and uncollected	389,400	-	-	-	-	389,400
Unremitted members contributions	235,850	-	-	-	-	235,850
Accounts receivable	17,824,036	-	-	-	-	17,824,036
Accrued interest receivable	32,934	-	-	-	-	32,934
	<u>P102,095,353</u>	<u>P -</u>	<u>P -</u>	<u>P 111,501</u>	<u>P 5,672,793</u>	<u>P107,879,647</u>

Under PFRS, a financial asset is past due when the counterparty has failed to make a payment when contractually due. As of December 31, 2016 and 2015, the Association does not have past due but not impaired. Further, the Association provides collectively allowance for impairment losses of P5,805,560 and P5,672,793 as of December 31, 2016 and 2015, respectively (*see Note 7*).

The Association has past due but not impaired amounted to P111,501 in 2015 .

The bases in grading the Association's financial assets are as follows:

1. *High Grade*

These are financial assets which have a high probability of collection. The counterparty has the apparent ability to satisfy its obligation and the security is readily enforceable.

2. *Standard Grade*

These are receivables where collections are probable due to the reputation and the financial ability of the counterparty to pay but with the experience of default.

3. *Substandard Grade*

These are receivables where the counterparty has the experience of default and probability of turning past due in the near future and/or are already past due.

Liquidity Risk

Liquidity risk is generally defined as the current and prospective risk to earnings or capital arising from the Association's inability to meet its obligations when they fall due without incurring unacceptable losses or costs.

The Association's Management Committee is responsible for the overall management and oversight of the Association's liquidity profile, while the day to day management of liquidity is assumed by the Finance Department. A cash flow mismatch analysis is used to measure the Association's liquidity. A maturity ladder is constructed to determine the cumulative net excess or deficit of funds at appropriate time bands. Net cumulative outflow limits have been put in place to ensure that the Association's funding requirements are not strained.

The tables below summarize the maturity profile of the Association's financial instruments:

	2016				
	On Demand	Less than 3 Months	3 to 12 Months	Over 1 Year	Total
Financial assets:					
Cash	P 5,381,323	P -	P -	P -	P 5,381,323
Short-term investments	-	-	12,893,600	-	12,893,600
Loans and Receivables	<u>1,985,783</u>	<u>5,819,512</u>	<u>25,971,756</u>	<u>61,839,806</u>	<u>95,616,857</u>
	<u>7,367,106</u>	<u>5,819,512</u>	<u>38,865,356</u>	<u>61,839,806</u>	<u>113,891,780</u>
Financial liabilities:					
Accounts payable and other liabilities	1,252,903	-	-	12,532,369	13,785,272
Legal policy reserves	13,144,508	-	-	-	13,144,508
Members' deposits	9,934,473	-	-	-	9,934,473
Members' equity contributions	<u>504,900</u>	<u>-</u>	<u>-</u>	<u>22,807,895</u>	<u>23,312,795</u>
	<u>24,836,784</u>	<u>-</u>	<u>-</u>	<u>35,340,264</u>	<u>60,177,048</u>
Cumulative gap	(P 17,469,678)	P 5,819,512	P 38,865,356	P 26,499,542	P 53,714,732
	2015				
	On Demand	Less than 3 Months	3 to 12 Months	Over 1 Year	Total
Financial assets:					
Cash	P 6,865,811	P -	P -	P -	P 6,865,811
Short-term investments	-	-	15,078,230	-	15,078,230
Loans and Recievables	<u>6,662,514</u>	<u>21,177,080</u>	<u>58,096,012</u>	<u>-</u>	<u>85,935,606</u>
	<u>13,528,325</u>	<u>21,177,080</u>	<u>73,174,242</u>	<u>-</u>	<u>107,879,647</u>
Financial liabilities:					
Accounts payable and other liabilities	591,661	973,594	10,359,273	2,215,940	14,140,468
Legal policy reserves	12,574,799	-	-	-	12,574,799
Members' deposits	11,128,498	-	-	-	11,128,498
Members' equity and contributions	<u>23,820,728</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,820,728</u>
	<u>48,115,686</u>	<u>973,594</u>	<u>10,359,273</u>	<u>2,215,940</u>	<u>61,664,493</u>
Cumulative gap	(P 34,587,361)	P 20,203,486	P 62,814,969	(P 2,215,940)	P 46,215,154

To ensure that the Association maintains a prudent and management level of cumulative negative gap, the Association maintains a pool of highly liquid assets in the form of short-term investments.

22. CATEGORIES AND FAIR VALUES OF FINANCIAL ASSETS

a. Fair Value of Financial Instruments

The following tables set forth the carrying values and estimated fair values of financial assets and liabilities, by category and by class, recognized as of December 31, 2016, and 2015:

	2016		2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<i>Financial Assets</i>				
Cash	P 5,381,323	P 5,381,323	P 6,865,811	P 6,865,811
Short-term investment	12,893,600	12,893,600	15,078,230	15,078,230
Loans and receivable	<u>95,616,857</u>	<u>89,811,297</u>	<u>85,935,606</u>	<u>73,476,802</u>
	<u>P 113,891,780</u>	<u>P 108,086,220</u>	<u>P 107,879,647</u>	<u>P 95,420,843</u>
<i>Financial Liabilities</i>				
Accounts payable and other liabilities	P 13,785,272	P 13,785,272	P 14,140,468	P 14,140,468
Legal policy reserves	13,144,508	13,144,508	12,574,799	12,574,799
Members' deposits	9,934,473	9,934,473	11,128,498	11,128,498
Members' equity contributions	<u>23,312,795</u>	<u>23,312,795</u>	<u>23,820,728</u>	<u>23,820,728</u>
	<u>P 60,177,048</u>	<u>P 60,177,048</u>	<u>P 61,664,493</u>	<u>P 61,664,493</u>

The methods and assumptions used by the Association in estimating the fair value of the financial instruments are as follows:

i. Cash in banks and short-term investment

The carrying amounts approximate fair values given the short-term nature of the instruments.

ii. Loans and other receivables

Loans and other receivables are net of impairment losses. The estimated fair value of loans and receivables represents the discounted amount of estimated future cash flows expected to be received. Long term interest-bearing loans are periodically repriced at interest rates equivalent to the current market rates, to determine fair value.

iii. Guaranty fund

Guaranty fund approximate fair value given the short-term nature of the instruments.

iv. Accounts payable and other liabilities, legal policy reserves and members' deposits and members' equity and contributions

These liabilities are recognized initially at their fair value and subsequently measured at amounts to which they are to be paid. Fair value of these short-term liabilities approximates their carrying values.

b. *Fair Value Hierarchy*

The Association uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly,
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

All financial assets and financial liabilities were classified to Level 3 of the fair value hierarchy.

23. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Association's capital management objectives are to ensure the Association's ability to continue as a going concern and to provide an adequate return to members by pricing products and services commensurately with the level of risk.

The Association sets the amount of capital in proportion to its overall financing structure, i.e. equity and financial liabilities. The Association manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Association may adjust the amount of dividends paid to members or sell assets to reduce debt.

The Association monitors capital on the basis of the carrying amount of equity as presented on the face of the statements of financial position. Capital for the reporting periods under review is summarized as follows:

	<u>2016</u>	<u>2015</u>
Total liabilities	P 60,177,048	P 61,664,493
Total equity	<u>44,909,306</u>	<u>43,385,721</u>
Debt-to-equity ratio	<u>1.34:1.00</u>	<u>1.42:1.00</u>

24. NON-ADMITTED ASSETS AND LIABILITIES

Pursuant to Section 197 of the Insurance Code, certain assets are classified and presented as non-admitted assets which consist of the following:

	<u>2016</u>	<u>2015</u>
Loans receivables	P -	P 8,377,544
Accrued interest income	15,236	11,410
Prepayments	20,228	42,219
Property and equipment	<u>7,915,932</u>	<u>9,552,205</u>
	<u>P 7,951,396</u>	<u>P 17,983,378</u>

25. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Presented below is the supplementary information which is required by the Bureau of Internal Revenue (BIR) under its existing revenue regulations to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

Requirements under Revenue Regulations (RR) 15-2010

The information on taxes, duties and license fees paid or accrued during the taxable year required under RR 15-2010 are as follows:

a. Output Value-added Tax (VAT)

The Association does not have output VAT for the year since there were no transactions subject to VAT.

b. Input VAT

Input VAT arising from various purchases was directly charged by the Association as cost and expense.

c. Tax on Importation

The Association has no tax on importation since it does not have any transactions which are subject to importation tax.

d. Excise Tax

The Association does not have excise tax in any of the year presented since it does not have any transactions which are subject to excise tax.

e. Documentary Stamp Tax

The Association did not incur any documentary stamp tax for the year 2016.

f. *Taxes and Licenses*

The details of taxes and licenses account are broken down as follows:

Municipal license and permits	P	125,320
Insurance commission filing and license fee		23,700
Residence or community tax		751
Others		<u>4,774</u>
	P	<u>154,545</u>

g. *Withholding Taxes*

The details of total withholding taxes for the year ended December 31, 2016 are shown below:

Compensation	P	419,840
Expanded		<u>12,700</u>
	P	<u>432,540</u>

h. *Deficiency Tax Assessment and Tax Case*

As of December 31, 2016, the Association neither has any deficiency tax assessment with the BIR nor tax case outstanding or pending in courts or bodies outside the BIR in any of the open years.

Requirements under RR 19-2011

RR 19-2011 requires schedules of taxable revenues and other non-operating income, costs of sales and services, itemized deductions and other significant tax information, to be disclosed in the notes to financial statements.

The amounts of taxable revenues and income, and deductible costs and expenses presented below are based on relevant tax regulations issued by the BIR, hence, may not be the same as the amounts reflected in the 2016 statement of comprehensive income.

a. *Exempt Revenues*

The Association's exempt revenues for the year amounted to P6,958,963 relating to interest income on loans and receivables.

b. *Costs of Services*

The amounts of exempt costs of services for the year are as follows:

Salaries and employee benefits	P	4,995,006
Depreciation		1,671,141
Security		288,000
Rentals		254,000
Office supplies		59,826
Others		<u>3,627,129</u>
	P	<u>10,895,102</u>



c. *Exempt Non-operating and Other Income*

The Association's exempt non-operating and other income for the year are shown below:

Service charges and fees	P 3,298,650
Membership fees, dues and contributions	2,012,134
Interest on deposit with banks	168,031
Other income	<u>73,069</u>
	<u>P 5,551,884</u>

d. *Itemized Deductions*

The Association does not have itemized deductions for the year.

26. RECLASSIFICATION OF ACCOUNTS

Certain accounts in the 2015 financial statements were reclassified to conform with the 2016 financial statement presentation of accounts.

REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY SEC SCHEDULES FILED SEPARATELY
FROM THE BASIC FINANCIAL STATEMENTS


The Board of Trustees
Novo Ecijano Teachers Mutual Benefit Association, Inc.
(A Non-Stock, Non-Profit Association)
228 Gabaldon St., San Roque
Cabanatuan City, Nueva Ecija

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Novo Ecijano Teachers Mutual Benefit Association, Inc. (A Non-Stock, Non-Profit Association) for the year ended December 31, 2016, on which we have rendered our report dated April 10, 2017. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The following schedules as of and for the year ended December 31, 2016 are presented for purposes of additional analysis in compliance with the requirements of Securities Regulation Code Rule 68, and are not required parts of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards:

1. Schedule of Receipts or Income Other Than Contributions and Donations;
2. Schedule of Contributions and Donations;
3. Schedule of Disbursements According to Sources and Activities; and,
4. Tabular Schedule of Standards and Interpretations.

Such supplementary information are the responsibility of management. The supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

AMC & ASSOCIATES

By: 
Ariel D. Gonzales
Partner
CPA Certification No. 89570
TIN 169-688-077-000
PTR No. 5915255, Jan. 6, 2017, Makati City
BIR Accreditation No. 08-003584-1-2016
(Mar. 18, 2016 to Mar. 17, 2019)
BSP Accreditation (Category B)
(Feb. 14, 2017 to Feb. 14, 2018)
IC Accreditation No. SP-2015/009-R
(Mar. 3, 2015 to Mar. 2, 2018)
SEC Accreditation No. 1331-AR-1 (Group C)
(Sep. 28, 2016 to Sep. 27, 2019)

FIRM ACCREDITATION

Aquino, Mata, Calica & Associates

BOA Accreditation No. 4275 - valid until June 28, 2020

SEC Accreditation No. 0164-FR-2 (Group B) - September 14, 2016 to September 13, 2017

BIR Accreditation No. 08-002582-0-2014 - valid until January 4, 2018

IC Accreditation No. F-2015/004-R - March 3, 2015 to March 2, 2018

CDA CEA No. 0075-AF - August 11, 2014 to August 10, 2017

BSP Accreditation (Category B) - February 14, 2017 to February 14, 2018

REPUBLIC OF THE PHILIPPINES)
CITY OF PASAY) S.S.


SWORN STATEMENT

We, Fortunato L. Dimagiba, Jr., President, and Atty. Tomas F. Lahom III, Treasurer, of Novo Ecijano Teachers Mutual Benefit Association Inc. with business address at 228 Gabaldon St., San Roque, Cabanatuan City, Nueva Ecija, after having been duly sworn in accordance with law hereby depose and state the accuracy and completeness of the following schedules for the year ended December 31, 2016:

1. Schedule of Receipts or Income Other Than Contributions and Donations;
2. Schedule of Contributions and Donations (Annex A); and
3. Schedule of Disbursements According to Sources and Activities.


In witness thereof, we are executing this sworn statement to attest to the truth of the facts herein stated and in compliance with the requirements of Securities and Exchange Commission.


Fortunato L. Dimagiba, Jr.
President



Atty. Tomas F. Lahom III
Treasurer

SUBSCRIBED AND SWORN to before me this _____ at _____
affiants exhibited to their Community Tax Certificate as follows:

<u>Name</u>	<u>CTC No.</u>	<u>Date of Issue</u>	<u>Place of Issue</u>
Fortunato L. Dimagiba, Jr.	28587681	January 5, 2017	Nueva Ecija
Atty. Tomas F. Lahom III	03071849	January 3, 2017	Nueva Ecija

Doc. No. 

Page No. 

Book No. 

Series of 2017


NOTARY PUBLIC



NOVO ECIJANO TEACHERS MUTUAL BENEFIT ASSOCIATION, INC.

(A Non-Stock, Non-Profit Association)

SCHEDULE OF RECEIPTS OR INCOME OTHER THAN CONTRIBUTIONS AND DONATIONS
FOR THE YEAR ENDED DECEMBER 31, 2016

	General Fund	Mutual Benefit Fund	Optional Fund	Total
Membership Fees/Dues Contribution	P 898,351	P 1,003,344	P -	P 1,901,695
Gross Income				
Interest on Deposits with Banks	629	73,093	-	73,722
Interest on Past Due Loan	-	6,400	-	6,400
Fund Transfer	1,547,533	4,997,141	-	6,544,674
Deposits/Equity				
Members Deposit	-	5,783,462	-	5,783,462
Capital Equity - Investors/Members	-	8,500	-	8,500
Equity Participation	-	1,790,625	-	1,790,625
Fin. Asst. Rec'ble - Members/C#12	-	59,607,144	-	59,607,144
Guaranty Fund	-	12,801,098	-	12,801,098
Maturity of Placement - Time Deposit	-	2,327,572	-	2,327,572
Service Charges	-	10,000	-	10,000
Miscellaneous Income	-	11,155	-	11,155
SSS, Medicare & ECC Premium/W/holding Tax	631,582	-	-	631,582
Other Deferred Credits/Others	-	-	-	-
Due to/Due From other funds	14,162,388	(14,162,388)	-	-
Loan Payable	-	-	-	-
 TOTAL	 P 17,240,483	 P 74,257,146	 P -	 P 91,497,629

NOVO ECIJANO TEACHERS MUTUAL BENEFIT ASSOCIATION, INC.

(A Non-Stock, Non-Profit Association)

SCHEDULE OF DISBURSEMENTS ACCORDING TO SOURCES AND ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	General Fund	Basic Benefit Fund	Optional Fund	Total
Benefits Paid	P -	P 210,000	P -	P 210,000
Direct Expense	-	-	-	-
Underwriting Expense	-	-	-	-
Operating Expenses	7,006,201	-	-	7,006,201
Investment Expense	-	9,458,280	-	9,458,280
Loan Releases	-	49,362,810	-	49,362,810
Withdrawals	-	4,405,365	-	4,405,365
Capital Equity - Members	-	979,939	-	979,939
Equity Participation	-	555,314	-	555,314
Placement of Time Deposit	-	2,338,578	-	2,338,578
Furniture, Fixtures & Equipment	12,500	-	-	12,500
Management & Notarial Fees	-	3,363,951	-	3,363,951
SSS, Medicare & ECC Prem./Wtax	635,086	-	-	635,086
Other Surplus Reserved	-	58,554	-	58,554
Payable to others	-	2,529,251	-	2,529,251
Other Disbursements	64,921	1,390,039	-	1,454,960
TOTAL	P 7,718,708	P 74,652,081	P -	P 82,370,789

SCHEDULE OF CONTRIBUTIONS/DONATIONS

Name of Foundation/Organization NOVO ECIJANO TEACHERS MUTUAL BENEFIT ASSOCIATION, INC.	SEC Registration No. A200102996
For the year ended DECEMBER 31, 2016	

Part I Contributors/Donors ¹				
(a) No.	(b) Name and address	(c) Nationality ²	(d) Total Contributions	(e) Type of Contribution ³
1			P	Cash <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution)
2			P	Cash <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution)
3			P	Cash <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution)
4			P	Cash <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution)
5			P	Cash <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution)
6			P	Cash <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution)
7			P	Cash <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution)
8			P	Cash <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution)
9			P	Cash <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution)
10			P	Cash <input type="checkbox"/> Noncash <input type="checkbox"/> (Complete Part II if there is a noncash contribution)
11	Others (aggregate of all contributions which are individually below P100,000.00) – by nationality		P	Cash <input checked="" type="checkbox"/> Noncash <input type="checkbox"/>

¹ A contributor or donor includes individuals, partnerships, corporations, associations, trusts and organizations.

² If supranational organization, indicate place of principal office or domicile.

³ Contributions or donations reportable on the Schedule are contributions, donations, grants, bequests, devises, and gifts of money or property, amounting to P100,000.00 or more from each contributor or donor.

Name of Foundation/Organization NOVO ECIJANO TEACHERS MUTUAL BENEFIT ASSOCIATION, INC.	SEC Registration No. A200102996
For the year ended DECEMBER 31, 2016	

Part II Noncash Property

(a) No. from Part I	(b) Description of noncash property given	(c) Fair Market Value (or estimate)	(d) Date received
1		P	
2		P	
3		P	
4		P	
5		P	
6		P	
7		P	
8		P	
9		P	
10		P	

Signed under oath by the following:

 Signature 
 Printed Name of President FORTUNATO L. DIMAGIBA, JR.

 Signature 
 Printed Name of Treasurer ATTY. TOMAS F. LAHOM III

Signed this ____ day of ____

NOVO ECIJANO TEACHERS MUTUAL BENEFIT ASSOCIATION, INC.
(A Non-Stock, Non-Profit Association)
Schedule of Philippine Financial Reporting Standards and Interpretations
Adopted by the Securities and Exchange Commission and the
Financial Reporting Standards Council as of December 31, 2016

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✓		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		✓		
Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards (PFRS)				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities			✓
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures (effective when PFRS 9 is first applied)			✓
PFRS 8	Operating Segments			✓
PFRS 9	Financial Instruments (effective January 1, 2018)	✓		
PFRS 10	Consolidated Financial Statements			✓
	Amendment to PFRS 10: Transition Guidance			✓
	Amendment to PFRS 10: Investment Entities - Applying the Consolidation Exception (effective January 1, 2016)			✓
PFRS 11	Joint Arrangements			✓
	Amendment to PFRS 11: Transition Guidance			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendment to PFRS 12: Transition Guidance			✓
	Amendment to PFRS 12: Investment Entities			✓
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts (effective January 1, 2018)			✓

NOVO ECIJANO TEACHERS MUTUAL BENEFIT ASSOCIATION, INC.

(A Non-Stock, Non-Profit Association)

Schedule of Philippine Financial Reporting Standards and Interpretations

Adopted by the Securities and Exchange Commission and the

Financial Reporting Standards Council as of December 31, 2016

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Philippine Accounting Standards (PAS)				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendment to PAS 1: Disclosure Initiative (<i>effective January 1, 2016</i>)			✓
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendment to PAS 19: Defined Benefit Plans - Employee Contributions (<i>effective July 1, 2014</i>)			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Revised)	Separate Financial Statements			✓
	Amendment to PAS 27: Investment Entities			✓
PAS 28 (Revised)	Investments in Associates and Joint Ventures			✓
	Amendment to PAS 28 Investment Entities: Applying the Consolidation Exception			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			✓
PAS 33	Earnings per Share			✓
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		

NOVO ECIJANO TEACHERS MUTUAL BENEFIT ASSOCIATION, INC.
(A Non-Stock, Non-Profit Association)
Schedule of Philippine Financial Reporting Standards and Interpretations
Adopted by the Securities and Exchange Commission and the
Financial Reporting Standards Council as of December 31, 2016

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 38	Intangible Assets			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property			✓
PAS 41	Agriculture			✓
Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
Philippine Interpretations - Standing Interpretations Committee (SIC)				
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓