COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	2	0	0	1	0	2	9	9	6	

Company Name

NOVO ECIJANO TEACHERS
MUTUAL BENEFIT
ASSOCIATION, INC.

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

228 GABALDON STREET
SAN ROQUE, CABANATUAN CITY
NUEVA ECIJA

Form Type	Department requiring the report	Secondary License Type, If Applicable
AFS		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
novoecijanotmbai@yahoo.com	464-2063	

No. of Stockholders	Annual Meeting (Month/Day)	Fiscal Year (Month/Day)
	Any date in March	12/31

CONTACT PERSON INFORMATION

The designated contact person *MUST* be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
MARIA ELOISA DIMAGIBA	eloi.dimagiba@yahoo.com	464-2063	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, 2017 and 2016, 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 7th day of April 2018

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Financial Statements

NOVO ECIJANO TEACHERS MUTUAL BENEFIT ASSOCIATION, INC.

December 31, 2017 and 2016

AMC
& ASSOCIATES

Certified Public Accountants

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, 2017 and 2016, 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, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS) applicable to Mutual Benefits Associations (MBAs).

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 *Code of Ethics for Professional Accountants in the Philippines* (Code of Ethics) together with the ethical requirements that are relevant to our audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements, and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

AMC & ASSOCIATES

Certified Public Accountants

- 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, 2017 required by the Bureau of Internal Revenue as disclosed in Note 24 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 applicable to MBAs. 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

By: **Ariel D. Gonzales**
Partner
CPA Certification No. 89570
TIN 169-688-077-000
PTR No. 6623561, Jan. 8, 2018, Makati City
BIR Accreditation No. 08-003584-1-2016
(Mar. 18, 2016 to Mar. 17, 2019)
BSP Accreditation (Category B)
(valid until Dec. 31, 2020)
IC Accreditation No. SP-2018/003-R
(Mar. 3, 2018 to Mar. 2, 2021)
SEC Accreditation No. 1331-AR-1 (Group C)
(Sep. 28, 2016 to Sep. 27, 2019)

April 7, 2018

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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, 2017, the statement of comprehensive income, statement of changes in fund balance 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
TIN 143-345-655-000
PTR No. 112099, January 12, 2018, Plaridel, Bulacan
BIR Accreditation No. 05-004260-001-2016
(Sept. 16, 2016 to Sept. 15, 2019)
PRC/BOA Certificate of Accreditation No 3085
valid until December 31, 2018
CDA CEA No. 135 (Renewal)
(Feb. 21, 2017 to Feb. 20, 2020)

April 7, 2018

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NOVO ECIJANO TEACHERS MUTUAL BENEFIT ASSOCIATION, INC.
(A Non-Stock, Non-Profit Association)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016
(Amounts in Philippine Peso)

		2017		2016
A S S E T S				
CURRENT ASSETS				
Cash *(Note 5)*	P	2,910,289	P	5,381,323
Short-term investment *(Note 6)*		12,983,343		12,893,600
Loans and other receivables *(Note 7)*		92,738,181		78,875,252
Other current assets *(Note 8)*		9,380		20,228
Total Current Assets		108,641,193		97,170,403
NON-CURRENT ASSET				
Property and equipment *(Note 9)*		6,474,138		7,915,951
TOTAL ASSETS	P	115,115,331	P	105,086,354
LIABILITIES AND FUND BALANCE				
CURRENT LIABILITIES				
Accounts payable and other liabilities *(Note 10)*	P	592,573	P	1,252,903
Legal policy reserves *(Note 11)*		14,028,681		13,144,508
Members' deposits *(Note 12)*		9,941,288		9,934,473
Total Current Liabilities		24,562,542		24,331,884
NON-CURRENT LIABILITIES				
Accounts payables and other liabilities *(Note 10)*		12,666,706		12,532,369
Members' equity and contributions		29,979,659		23,312,795
Total Non-current Liabilities		42,646,365		35,845,164
Total Liabilities		67,208,907		60,177,048
FUND BALANCE				
Free and unassigned fund balance		11,942,559		12,080,909
Assigned fund balance *(Note 17)*		35,963,865		32,828,397
Total Fund Balance		47,906,424		44,909,306
TOTAL LIABILITIES AND FUND BALANCE	P	115,115,331	P	105,086,354

NOVO ECIJANO TEACHERS MUTUAL BENEFIT ASSOCIATION, INC.
(A Non-Stock, Non-Profit Association)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
(Amounts in Philippine Peso)

		2017		2016
REVENUES				
Interest on:				
Loans *(Note 7)*	P	8,422,858	P	6,958,963
Deposits with banks *(Notes 5 and 6)*		127,711		168,031
Service charges and fees *(Note 7)*		3,058,830		3,298,650
Membership fees, dues and contributions *(Note 13)*		2,427,610		2,012,134
Others		8,215		73,069
		14,045,224		12,510,847
EXPENSES *(Note 14)*				
Operating expenses		9,928,391		9,181,410
Benefit expenses		1,094,173		1,713,692
		11,022,564		10,895,102
PROFIT BEFORE TAX		3,022,660		1,615,745
TAX EXPENSE *(Note 16)*		25,542		33,606
NET PROFIT		2,997,118		1,582,139
COMPREHENSIVE INCOME		-		-
TOTAL COMPREHENSIVE INCOME	P	2,997,118	P	1,582,139

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, 2017 AND 2016

(Amounts in Philippine Peso)

	Free and Unassigned Fund Balance	Assigned Fund Balance	Total
Balance at January 1, 2017 *(Note 17)*	P 12,080,909	P 32,828,397	P 44,909,306
Transfer to assigned fund balance *(Note 17)*	(3,135,468)	3,135,468	-
Total comprehensive income for the year	2,997,118	-	2,997,118
Balance at December 31, 2017 *(Note 17)*	P 11,942,559	P 35,963,865	P 47,906,424
Balance at January 1, 2016 *(Note 17)*	P 12,332,899	P 31,052,822	P 43,385,721
Transfer to assigned fund balance *(Note 17)*	(12,893,599)	12,893,599	-
Utilization during the year *(Note 17)*	11,059,470	(11,118,024)	(58,554)
Total comprehensive income for the year	1,582,139	-	1,582,139
Balance at December 31, 2016 *(Note 17)*	P 12,080,909	P 32,828,397	P 44,909,306

See Notes to Financial Statements.

NOVO ECIJANO TEACHERS MUTUAL BENEFIT ASSOCIATION, INC.

(A Non-Stock, Non-Profit Association)

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

(Amounts in Philippine Peso)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	P 3,022,660	P 1,615,745
Adjustments for:		
Interest income *(Notes 5, 6 and 7)*	(8,550,569)	(7,126,994)
Depreciation *(Note 9)*	1,441,813	1,671,141
Increase in legal policy reserves *(Note 11)*	884,173	569,709
Impairment losses *(Note 7)*	219,332	245,619
Operating loss before working capital changes	(2,982,591)	(3,024,780)
Increase in loans and other receivables	(14,080,788)	(5,637,876)
Decrease in other current assets	10,848	12,807,950
Decrease in accounts payable and other liabilities	(525,993)	(355,196)
Cash generated from (used in) operations	(17,578,524)	3,790,098
Interest received *(Notes 5 and 7)*	8,436,549	6,984,777
Cash paid for taxes *(Note 16)*	(25,542)	(33,606)
Net Cash From (Used In) Operating Activities	(9,167,517)	10,741,269
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received *(Note 6)*	112,547	136,084
Increase in short-term investment *(Note 6)*	(89,743)	(10,601,329)
Net Cash From (Used in) Investing Activities	22,804	(10,465,245)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in members' equity and contributions	6,666,864	(507,933)
Increase (decrease) in members' deposits *(Note 12)*	6,815	(1,194,025)
Utilization of assigned fund balance *(Note 17)*	-	(58,554)
Net Cash From (Used in) Financing Activities	6,673,679	(1,760,512)
NET DECREASE IN CASH	(2,471,034)	(1,484,488)
CASH AT BEGINNING OF YEAR	5,381,323	6,865,811
CASH AT END OF YEAR *(Note 5)*	P 2,910,289	P 5,381,323

See Notes to Financial Statements.

NOVO ECIJANO TEACHERS MUTUAL BENEFIT ASSOCIATION, INC.
(A Non-Stock, Non-Profit Association)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016
(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, 2017 (including the comparative financial statements as of and for the year ended December 31, 2016) were authorized for issue by the Association's Board of Trustees (BOT) on April 7, 2018.

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 shall be used by associations in their preparation of financial statements.

The SCA for MBAs lists the 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 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 to PFRS

a. Effective in 2017 that are Relevant to the Association

The Association adopted for the first time the following amendments and interpretation to PFRS that are relevant to the Association and effective for financial statements for the annual period beginning on or after January 1, 2017:

PAS 7 (Amendments)	:	Statement of Cash Flows – Disclosure Initiative

Discussed below is the relevant information about these amended standards:

i. PAS 7 (Amendments), *Statement of Cash Flows – Disclosure Initiative*. 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. The amendment did not have significant impact on the Association's financial statement since the Association already applied professional judgement in presenting and disclosing information in the financial statements in relation to its cash flows.

b. Effective in 2017 that are not Relevant to the Association

The following new PFRS, amendments and annual improvements to existing standards are mandatorily effective for annual periods beginning on or after January 1, 2017 but are not relevant to the Association's financial statements:

Annual Improvements to PFRS (2014-2016 Cycle)		
PFRS 12	:	Disclosure of Interest in Other Entities – Scope Clarification on Disclosure of Summarized Financial Information for Interests classified as held for sale
PAS 12 (Amendments)	:	Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses

c. *Effective Subsequent to 2017 but not Adopted Early*

There are new PFRS, amendments and annual improvements to existing standards effective for annual periods subsequent to 2017 which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions, and these pronouncements have no expected significant impact on the Association's financial statements:

i. PAS 40 (Amendment), *Investment Property – Reclassification to and from investment property* (effective from January 1, 2018). The amendment states that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The amendment provided a non-exhaustive list of examples constituting change in use. Management has assessed that this amendment has no significant impact on the Association's financial statements.

ii. PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will eventually replace PAS 39, *Financial Instruments: Classification and Measurement* and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:

   a. three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;

   b. 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,

   c. 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.

Based on an assessment of the Association's financial assets and liabilities as at December 31, 2017, which has been limited to the facts and circumstances existing at that date, management has identified the following areas that are expected to be most impacted by the application of PFRS 9 (2014):

- On classification and measurement of the Association's financial assets, management holds most financial assets to hold and collect the associated cash flows and is currently assessing the underlying types of cash flows to classify financial assets correctly. Management expects the majority of loans and other receivables to continue to be accounted for at amortized cost.

- The expected credit loss (ECL) model will apply to the Association's loans and other receivables. For other financial assets and loans and other receivables, the Association will apply a simplified model of recognizing lifetime expected credit losses as these items do not have a significant financing component.

- The Association's equity securities, regardless if quoted or not, will be measured at fair value with changes in fair value presented either in profit or loss or in other comprehensive income. To present changes in other comprehensive income requires making an irrevocable designation on initial recognition or at the date of transition.

- Most of the financial liabilities of the Association are measured at amortized cost. Upon application of PFRS 9 (2014), management has assessed that the amortized cost classification for most of the financial liabilities will be retained.

Management is currently assessing the impact of this new standard in its financial statements.

iii. PFRS 9 (Amendment), *Financial Instruments – Prepayment Features with Negative Compensation* (effective from January 1, 2019). The amendment clarifies that prepayment features with negative compensation attached to financial instruments may still qualify under the SPPI test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at FVTOCI. Management is currently assessing the impact of this new standard in its financial statements.

iv. PFRS 16, *Leases* (effective from January 1, 2019). The new standard will eventually replace PAS 17, *Leases*.

For lessees, it requires to account for leases "on-balance sheet" by recognizing a "right of use" asset and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain. In subsequent periods, the "right-of-use" asset is accounted for similarly to a purchased asset and depreciated or amortized. The lease liability is accounted for similarly to as financial liability using the effective interest method. However, the new standard provides important reliefs or exemptions for short-term leases and leases of low value assets. If these exemptions are used, the accounting is similar to operating lease accounting under PAS 17 where lease payments are recognized as expenses on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee's benefit).

For lessors, lease accounting is similar to PAS 17's. In particular, the distinction between finance and operating leases is retained. The definitions of each type of lease, and the supporting indicators of a finance lease, are substantially the same as PAS 17's. The basic accounting mechanics are also similar, but with some different or more explicit guidance in few areas. These include variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

Management is currently assessing the impact of this new standard in its financial statements.

v. Annual Improvements to PFRS 2015-2017 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 existing requirements:

- PAS 23 (Amendments), *Borrowing costs – Eligibility for Capitalization*. The amendments clarify that any specific borrowing which remains outstanding after the related qualifying asset is ready for its intended purpose, such borrowing will then form part of the entity's general borrowings when calculating the capitalization rate for capitalization purposes.

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Financial Instruments

a. *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. The designation of financial assets is re-evaluated at every reporting date at which date a choice of classification or accounting treatment is available, subject to compliance with specific provisions of applicable accounting standards.

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.

The foregoing categories of financial instruments of the Association are more fully described below:

i. *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 FVTPL upon initial recognition. All derivatives fall into this category, except for those designated and effective as hedging instruments.

Subsequent to initial recognition, 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 FVTPL) may be reclassified out of fair value through profit or loss category if they are no longer held for the purpose of being sold or repurchased in the near term.

As of December 31, 2017 and 2016, the Association does not have financial assets designated at FVTPL.

ii. 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.

All financial assets within this category are subsequently measured at fair value, except for equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured which are measured at cost, less impairment loss, if any. Gains and losses 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 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 gain or loss recognized in other comprehensive income is reclassified from revaluation reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income.

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.

As of December 31, 2017 and 2016, the Association does not have AFS financial assets.

iii. HTM Investments

This category includes non-derivative financial assets with fixed or determinable payments and a fixed date of maturity. Investments are classified as HTM if the Association has the positive intention and ability to hold them until maturity. Investments intended to be held for an undefined period are not included in this classification. If the Association were to sell other than an insignificant amount of HTM investments, the whole category would be tainted and reclassified to AFS financial assets.

Subsequent to initial recognition, the 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. Any changes to the carrying amount of the investment, including impairment loss, are recognized in profit or loss. As of December 31, 2017 and 2016, the Association does not have HTM investments.

iv. 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 or services directly to a debtor with no intention of trading the receivables. Included in this category are those arising from direct loans to customers and all receivables from customers and other companies.

The Association's financial assets categorized as loans and receivables are presented as Cash, Short-term investment, Loans and other receivables and guaranty fund (presented as part of Other non-current assets) in the statements of financial position.

Cash consists of cash on hand, cash in banks, and other short-term investments that are convertible to known amounts of cash, with original maturities of three months or less from dates of placements and that are subject to insignificant risk of changes in value.

Short-term investment includes placement having maturities of more than three months.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment losses, if any. Any change in their value is recognized in profit or loss, except for increases in fair values of reclassified financial assets under PAS 39 and PFRS 7. Increases in estimates of future cash receipts from such financial assets shall be recognized as an adjustment to the effective interest rate from the date of the change in estimate rather than as an adjustment to the carrying amount of the financial asset at the date of the change in estimate.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any.

b. 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.

The Association recognizes impairment loss based on the category of financial assets as follows:

i. Assets Carried at Amortized Cost

If there is objective evidence that an impairment loss on loans and receivables or HTM investments carried at cost has been incurred, 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 reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date of the impairment is reversed. The amount of the reversal is recognized in the profit or loss.

ii. Assets Carried at Fair Value

When a decline in the fair value of an AFS financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss – measured as the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is reclassified from Revaluation Reserves to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized.

Impairment losses recognized in profit or loss on equity instruments are not reversed through profit or loss. 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.

ii. 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.

c. *Items of Income and Expense Related to Financial Assets*

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of Interest Income or Interest Expense, Impairment Losses, Dividend Income and Recoveries from Accounts Written-off (presented as part of Other Income) in the profit or loss.

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.

d. *Derecognition of Financial Assets*

The financial assets (or where applicable, a part of a financial asset or part of a group of 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 Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank 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.

e. *Financial Liabilities*

Financial liabilities include accounts payable and other liabilities, legal policy reserves, members' deposits, and members' equity contributions. These are recognized when the Association becomes a party to the contractual terms of the instrument.

All financial liabilities are recognized initially at their fair value and subsequently measured at amortized cost for maturities beyond one year, less settlement payments.

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

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

f. *Offsetting Financial Instruments*

Financial assets and liabilities are set-off and the resulting net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on a 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.

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.

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.

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.

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.

Employee Benefits

The Association provides short term benefits and post-employment benefits to employees through a defined benefit plan, as well as various defined contribution plans.

a. *Short-term Employee Benefits*

Wages, salaries and bonuses are recognized as an expense in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognized when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognized when the absences occur.

b. *Defined Benefit Plan*

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The Association has not yet established a formal post-employment plan. However, it accrues the estimated cost of post-employment benefits under a defined benefit plan required by the provisions of Republic Act (R.A.) No. 7641, The Retirement Pay Law, which management believes to be a reasonable approximation of the amount computed using projected unit credit method *(see also Note 4)*.

c. Defined Contribution Plans

A defined contribution plan is a post-employment plan under which the Association pays fixed contributions into an independent entity such as Social Security System (SSS), Philhealth and Pag-ibig. The Association has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities or assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

d. Profit-sharing and Bonus Plans

The Association recognizes a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Association's shareholders after certain adjustments. The Association recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

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 to 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 and dividends, if any.

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 18.

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 21.

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, 2017 and 2016, 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.

a. *Valuation of Post-employment Defined Benefit Obligation*

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. As at December 31, 2017, the Association does not have a formal post-employment benefit plan; however, it computes post-employment benefit obligation based on the provisions of R.A. No. 7641 which covers all regular full-time employees. Management believes that the obligation computed under R.A. No. 7641 will not materially differ had it been actuarially determined *(see Note 15)*.

5. CASH

This account comprises of the following:

		2017		2016
Cash in banks	P	2,900,289	P	5,371,323
Petty cash fund		10,000		10,000
	P	2,910,289	P	5,381,323

Cash in banks generally earn interest at rates based on daily banks deposit rates. The interest earned in cash in banks amounted to P13,691 in 2017 and P25,814 in 2016 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 P12,983,343 in 2017 and P12,893,600 in 2016 is a one-year term deposit placement with a local bank bearing an annual effective interest of 0.5% to 1.0% in 2017 and 2016. The interest earned on short-term placement amounted to P114,020 in 2017 and P142,217 in 2016 and are presented as part of Interest on deposits with banks in the statements of comprehensive income.

The short-term investment was 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:

	2017	2016
Consumption loans	P 104,869,088	P 93,438,384
Unearned interest income	(10,217,958)	(10,936,045)
	94,561,130	82,502,339
Other receivables:		
Accounts receivable	2,880,298	1,490,886
Members' contribution due and uncollected	760,850	425,570
Unremitted members contributions	209,279	222,950
Accrued interest receivable	40,540	39,067
	98,842,097	84,680,812
Allowance for impairment losses	(5,803,916)	(5,805,560)
	P 92,738,181	P 78,875,252

The Association grants loans ranging from P1,000 to P1,000,000 with-term ranging from two to three years and bears annual effective interest of 8% in 2017 and 12% in 2016. 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 P8,422,858 and P6,958,963 in 2017 and 2016, respectively.

The Association collects service fees of 6% on every loans granted. The service fees recognized amounted to P3,058,830 in 2017 and P3,298,650 in 2016 and are presented as part of Service charges and fees in the statements of comprehensive income.

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:

	2017	2016
Balance at beginning of year	P 5,805,560	P 5,672,793
Impairment losses during the year *(see Note 14)*	219,332	245,619
Recovery	(220,976)	(112,852)
Balance at end of year	P 5,803,916	P 5,805,560

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

8. OTHER CURRENT ASSETS

This account consists of unused supplies amounted to P9,380 and P20,228 as of December 31, 2017 and 2016 respectively.

9. PROPERTY AND EQUIPMENT

The gross carrying amounts and the accumulated depreciation at the beginning and end of 2017 and 2016 are shown below:

	Office Equipment	Furniture and Fixtures	Transportation Equipment	Building	Total
December 31, 2017,					
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)	(938,304)	(1,898,907)	(7,651,178)	(11,779,335)
Net carrying amount	P 37	P 26	P 1	P 6,474,074	P 6,474,138
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	P 37	P 29,314	P 1	P 7,886,599	P 7,915,951

A reconciliation of the carrying amounts at the beginning and end of 2017 and 2016, of property and equipment is shown below:

	Office Equipment	Furniture and Fixtures	Transportation Equipment	Building	Total
Balance at January 1, 2017, net of accumulated depreciation	P 37	P 29,314	P 1	P 7,886,599	P 7,915,951
Depreciation for the year *(see Note 14)*	(-)	(29,288)	(-)	(1,412,525)	(1,441,813)
Balance at December 31, 2017 net of accumulated depreciation	P 37	P 26	P 1	P 6,474,074	P 6,474,138
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	P 37	P 29,314	P 1	P 7,886,599	P 7,915,951

The building with a net carrying value of P6,474,074 as of December 31, 2017 and P7,886,599 as of December 31, 2016 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:

	2017	2016
Accounts payable	P 10,517,877	P 10,486,541
Retirement benefit obligation *(see Note 15)*	2,507,375	2,373,038
Management and other professional fees payable	74,790	264,600
Others	159,237	661,093
	P 13,259,279	P 13,785,272

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

	2017	2016
Current	P 592,573	P 1,252,903
Non-current	12,666,706	12,532,369
	P 13,259,279	P 13,785,272

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 2017 and 2016 *(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 20, 2018.

The movement in the legal policy reserves is presented below:

	2017	2016
Balance at beginning of year	P 13,144,508	P 12,574,799
Increase during the year	884,173	569,709
Balance at end of year	P 14,028,681	P 13,144,508

12. MEMBERS' DEPOSITS

This account is composed of members' deposits amounting to P9,941,288 and P9,934,473 as of December 31, 2017 and 2016, respectively, presented as current liabilities in the statements of financial position.

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 P487,900 and P504,900 in 2017 and 2016, 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, 2017 and 2016, the Association has a total of 4,879 and 5,045 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	11
	P 250

The Associations classifies the member's equity and contributions 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 P2,427,610 and P2,012,134 in 2017 and 2016, respectively.

14. EXPENSES

The details of these accounts are shown below:

		2017		2016
Salaries and employee benefits *(see Note 15)*	P	5,028,756	P	4,995,006
Depreciation *(see Note 9)*		1,441,813		1,671,141
Professional fees		1,225,158		1,213,078
Increase in legal policy reserves		884,173		569,709
Security		288,000		288,000
Rentals *(see Note 18)*		260,000		254,000
Impairment losses *(see Note 7)*		219,332		245,619
Communication and utilities		230,674		190,852
Taxes and licenses *(see Note 24)*		146,650		154,545
Office supplies		31,358		59,826
Transportation and travel		16,839		10,897
Repairs and maintenance		9,212		9,743
Others		1,240,599		1,232,686
	P	11,022,564	P	10,895,102

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

		2017		2016
Operating expenses	P	9,928,391	P	9,181,410
Benefit expenses		1,094,173		1,713,692
	P	11,022,564	P	10,895,102

15. EMPLOYEES' BENEFITS

Expenses recognized for salaries and employee benefits are presented below:

		2017		2016
Salaries and wages	P	3,175,645	P	3,163,782
Employees' welfare and benefits		1,538,790		1,496,850
Retirement benefits		134,338		157,098
Social security costs		179,983		177,276
	P	5,028,756	P	4,995,006

The Association was not able to obtain an actuarial valuation of its retirement benefit expense for 2017 and 2016 and the corresponding retirement benefit obligations as of December 31, 2017 and 2016, 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 P2,507,375 and P2,373,038 as of December 31, 2017 and 2016 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 P25,542 in 2017 and P33,606 in 2016.

17. FUND BALANCE

Assigned Fund Balance

This account consist of the following:

		2017		2016
Community, research and development	P	13,151,494	P	9,967,399
Guaranty fund		12,983,343		12,893,599
Members' education & scholarship		6,575,747		4,983,700
Improving system & equipment		3,253,281		1,661,233
Capacity building		-		3,322,466
Balance at end of year	P	35,963,865	P	32,828,397

The reconciliation of assigned fund balance is presented below:

		2017		2016
Balance at beginning of year	P	32,828,397	P	31,052,822
Additional reserves during the year		6,457,934		12,893,599
Utilization of reserves during the year		-	(	58,554)
Transfer to unassigned fund balance	(	3,322,466)	(	11,059,470)
Balance at end of year	P	35,963,865	P	32,828,397

Fund Assigned for Community Research and Development

At least 6% shall be set-aside for projects, activities and 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 Improving Systems and Equipment

At least 3% shall be set-aside for future acquisition of equipment and others that will benefit the members.

18. 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, 2017 and 2016 are as follows:

	2017	2016
Due within one year	P 176,000	P 260,000
Due beyond one year	-	176,000
	P 176,000	P 436,000

Total rental expense from this operating lease amounted to P260,000 in 2017 and P254,000 in 2016 *(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, 2017, 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.

19. 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:

	2017		2016	
	Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance
Key management and employees				
Loans receivable	P 563,279	P 3,396,263	P 354,874	P 2,832,984
Interest on loans	411,780	-	65,270	-
Compensation	2,027,539	-	2,759,288	-

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 2017 and 2016, the Association's oustanding loans to related parties amounted to P3,396,263 and P2,832,984, 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:

		2017		2016
Balance at beginning of year	P	2,832,984	P	2,478,110
Releases during the year		2,527,940		1,017,765
Collections during the year	(	1,964,661)	(	662,891)
Balance at end of year	P	3,396,263	P	2,832,984

Interest income on these amounted to P411,780 in 2017 and P65,270 in 2016 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:

		2017		2016
Salaries and wages	P	1,249,200	P	1,660,360
Retirement benefits		134,338		157,098
Employees' benefits		464,018		882,070
Social security costs		179,983		59,760
	P	2,027,539	P	2,759,288

Key management includes general manager and president of the Association.

20. 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 21. 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.

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

	2017					
	Neither Past Due Nor Impaired			Past Due		
	High Grade	Standard Grade	Substantard Grade	But Not Impaired	Impaired	Total
Cash	P 2,900,289	P -	P -	P -	P -	P 2,900,289
Short-term investment	12,983,343	-	-	-	-	12,983,343
Loans and receivables:						
Consumption	99,065,172	-	-	-	5,803,916	104,869,088
Members' contribution due and uncollected	760,850	-	-	-	-	760,850
Unremitted members contributions	209,279	-	-	-	-	209,279
Accounts receivable	2,880,298	-	-	-	-	2,880,298
Accrued interest receivable	40,540	-	-	-	-	40,540
	P118,893,771	P -	P -	P -	P 5,803,916	P 124,643,687

	2016					
	Neither Past Due Nor Impaired			Past Due		
	High Grade	Standard Grade	Substantard Grade	But Not Impaired	Impaired	Total
Cash	P 5,371,323	P -	P -	P -	P -	P 5,371,323
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	39,067	-	-	-	-	39,067
	P108,076,220	P -	P -	P -	P 5,805,560	P113,881,780

Under PFRS, a financial asset is past due when the counterparty has failed to make a payment when contractually due. As of December 31, 2017 and 2016, the Association does not have past due but not impaired. Further, the Association provides collectively allowance for impairment losses of P5,803,916 and P5,805,560 as of December 31, 2017 and 2016, respectively *(see Note 7)*.

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

1. *High Grade or low risk loans*

   These loans are neither past due nor impaired which are fully secured by collateral and with good collection status. 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 or medium risk loans*

   Standard grade loans are neither past due nor impaired with partially secured loan status. 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*

Substandard grade loans are those where the counterparties are, most likely, not capable of honoring their financial obligations. These loans include impaired loans which have continuous loan collection default issues or past due but not impaired loans and receivable accounts.

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:

	2017				
	On Demand	Less than 3 Months	3 to 12 Months	Over 1 Year	Total
Financial assets:					
Cash	P 2,910,289	P -	P -	P -	P 2,910,289
Short-term investments			12,983,343	-	12,983,343
Loans and receivables	8,650,945	6,447,465	19,342,397	74,319,248	108,760,055
	11,561,234	6,447,465	32,325,740	74,319,248	124,653,687
Financial liabilities:					
Accounts payable and other liabilities	592,573	-	-	12,666,706	13,259,279
Legal policy reserves	14,028,681	-	-	-	14,028,681
Members' deposits	9,941,288				9,941,288
Members' equity contributions	487,900	-	-	29,491,759	29,979,659
	25,050,442	-	-	42,158,465	67,208,907
Cumulative gap	(P 13,489,208)	P 6,447,465	P 32,325,740	P 32,160,783	P 57,444,780

	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	1,985,783	5,819,512	25,971,756	61,839,806	95,616,857
	7,367,106	5,819,512	38,865,356	61,839,806	113,891,780
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 and contributions	504,900	-	-	22,807,895	23,312,795
	24,836,784	-		35,340,264	60,177,048
Cumulative gap	(P 17,469,678)	P 5,819,512	P 38,865,356	P 26,499,542	P 53,714,732

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.

21. CATEGORIES AND FAIR VALUES OF FINANCIAL ASSETS

Carrying Amounts and Fair Values by Category

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, 2017.and 2016:

	2017		2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Cash	P 2,910,289	P 2,910,289	P 5,381,323	P 5,381,323
Short-term investment	12,983,343	12,983,343	12,893,600	12,893,600
Loans and receivable	98,542,097	92,738,181	95,616,857	89,811,297
	P 114,435,729	P 108,631,813	P 113,891,780	P 108,086,220
Financial Liabilities				
Accounts payable and other liabilities	P 13,259,279	P 13,259,279	P 13,785,272	P 13,785,272
Legal policy reserves	14,028,681	14,028,681	13,144,508	13,144,508
Members' deposits	9,941,288	9,941,288	9,934,473	9,934,473
Members' equity contributions	29,979,659	29,979,659	23,312,795	23,312,795
	P 67,208,907	P 67,208,907	P 60,177,048	P 60,177,048

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. 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.

Fair Value Hierarchy

In accordance with PFRS 13, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the resource or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement. There have been no significant transfers among Levels 1, 2 and 3 in the reporting periods.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For financial assets and liabilities which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Association uses valuation technique, it maximizes the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

There have been no significant transfers among Levels 1, 2 and 3 in the reporting periods. Cash and cash equivalents and Short-term investments are categorized as Level 1. Loans and receivables and all financial liabilities are categorized as Level 3.

22. 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:

	2017	2016
Total liabilities	P 67,208,907	P 60,177,048
Total equity	47,906,424	44,909,306
Debt-to-equity ratio	1.40:1.00	1.34:1.00

23. 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:

	2017	2016
Accrued interest income	P 40,540	P 39,067
Prepayments	9,380	20,228
Property and equipment	6,474,138	7,915,951
	P 6,524,058	P 7,975,246

24. 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 2017.

f. Taxes and Licenses

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

Municipal license and permits	P	116,676
Insurance commission filing and license fee		20,200
Residence or community tax		7,172
Others		2,602
	P	146,650

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g. Withholding Taxes

The details of total withholding taxes for the year ended December 31, 2017 are shown below:

Compensation	P	436,748
Expanded		12,975
	P	449,723

h. Deficiency Tax Assessment and Tax Case

As of December 31, 2017, 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 2017 statement of comprehensive income.

a. Exempt Revenues

The Association's exempt revenues for the year amounted to P8,422,858 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	5,028,756
Depreciation		1,441,813
Security		288,000
Rentals		260,000
Others		3,972,637
	P	10,991,206

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	3,058,830
Membership fees, dues and contributions		2,427,610
Interest on deposit with banks		127,711
Other income		8,215
	P	5,622,366

d. Itemized Deductions

The Association's itemized deductions pertains to office supplies amounted to P31,358 for the year.

25. RECLASSIFICATION OF ACCOUNTS

Certain accounts in the 2016 financial statements were reclassified to conform with the 2017 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, 2017, on which we have rendered our report dated April 7, 2018. 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, 2017 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. 6623561, Jan. 8, 2018, Makati City
BIR Accreditation No. 08-003584-1-2016
(Mar. 18, 2016 to Mar. 17, 2019)
BSP Accreditation (Category B)
(valid until Dec. 31, 2020)
IC Accreditation No. SP-2018/003-R
(Mar. 3, 2018 to Mar. 2, 2021)
SEC Accreditation No. 1331-AR-1 (Group C)
(Sep. 28, 2016 to Sep. 27, 2019)

April 7, 2018

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QUEZON CITY) 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, 2017:

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.	**Atty. Tomas F. Lahom III**
President	Treasurer

18 APR 2018 QUEZON CITY

SUBSCRIBED AND SWORN to before me this ________ at ________, affiants exhibited to their Driver's License and Community Tax Certificate as follows:

Name	CTC No.	Date of Issue	Place of Issue
Fortunato L. Dimagiba, Jr.	N19-84-008051	Sept. 21, 2015	Makati City
Atty. Tomas F. Lahom III	06567692	Jan. 05, 2018	Nueva Ecija

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NOTARY PUBLIC

ATTY. BENJAMIN F. ALFONSO
NOTARY PUBLIC
UNTIL December 31, 2018
PTR NO. 5520234, January 3, 2018, QUEZON CITY
IBP NO. 019073 12-20-2017 - QUEZON CITY
ROLL NO. 13295
ADM. MATTER NO. NP-049 (2017-2018)
TIN NO. 177-967-679-000
MCLE III-0024526 - December 12, 2017
34 Asset's St. GSIS Village
Project 8 Quezon City

Doc. No. : 387
Page No. : 77
Book No. : 7
Series of 2018

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, 2017

	General Fund	Mutual Benefit Fund	Optional Fund	Total
Membership Fees/Dues Contribution	P 21,076	P 627,935	P -	P 649,011
Gross Income			-	
Interest on Deposits with Banks	705	10,248	-	10,953
Interest on Past Due Loan	-	4,190	-	4,190
Fund Transfer Received for Profit Sharing (30%)	2,023,722	-	-	2,023,722
Deposits/Equity				
Members Deposit	-	4,087,368		4,087,368
Capital Equity - Investors/Members	-	7,000	-	7,000
Equity Participation	-	1,365,600		1,365,600
Fin. Asst. Rec'ble - Members/C#12	-	38,304,368	-	38,304,368
Guaranty Fund	-	-	-	-
Maturity of Placement - Time Deposit	-	59,840		59,840
Service Charges	-	-		-
Miscellaneous Income	-	8,215	-	8,215
SSS, Medicare & ECC Premium/W/holding Tax	614,109	-	-	614,109
Regional Collection High School/Elem. School	-	11,778,748	-	11,778,748
Other Deferred Credits/Others	-	500,974	-	500,974
Loan Payable	-	1,245,461		1,245,461
TOTAL	P 2,659,612	P 57,999,947	P -	P 60,659,559

Annex "A"

SCHEDULE OF CONTRIBUTIONS/DONATIONS

Name of Foundation/Organization	SEC Registration No.
NOVO ECIJANO TEACHERS MUTUAL BENEFIT ASSOCIATION, INC.	A200102996
For the year ended DECEMBER 31, 2017	

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 ☐ Noncash ☐ (Complete Part II if there is a noncash contribution)
2			P	Cash ☐ Noncash ☐ (Complete Part II if there is a noncash contribution)
3			P	Cash ☐ Noncash ☐ (Complete Part II if there is a noncash contribution)
4			P	Cash ☐ Noncash ☐ (Complete Part II if there is a noncash contribution)
5			P	Cash ☐ Noncash ☐ (Complete Part II if there is a noncash contribution)
6			P	Cash ☐ Noncash ☐ (Complete Part II if there is a noncash contribution)
7			P	Cash ☐ Noncash ☐ (Complete Part II if there is a noncash contribution)
8			P	Cash ☐ Noncash ☐ (Complete Part II if there is a noncash contribution)
9			P	Cash ☐ Noncash ☐ (Complete Part II if there is a noncash contribution)
10			P	Cash ☐ Noncash ☐ (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 X Noncash ☐

[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.

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Name of Foundation/Organization NOVO ECIJANO TEACHERS MUTUAL BENEFIT ASSOCIATION, INC.	SEC Registration No. A200102996
For the year ended DECEMBER 31, 2017	

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 7th day of April 2018

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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, 2017

	General Fund	Basic Benefit Fund	Optional Fund	Total
Benefits Paid	P -	P 245,000	P -	P 245,000
Direct Expense				
Underwriting Expense	-	-	-	-
Operating Expenses	6,630,832	6,077,482	-	12,708,314
Loan Releases	-	39,556,930	-	39,556,930
Withdrawals		3,406,176	-	3,406,176
Capital Equity - Members/Investors		2,126,765	-	2,126,765
Equity Participation		491,754	-	491,754
Placement of Time Deposit	-	-	-	-
Furniture, Fixtures & Equipment/Supplies/Building	-	-	-	-
Management & Notarial Fees	-	3,212,532	-	3,212,532
Management & Prof. Fees (Paymaster)	-	-	-	-
SSS, Medicare & ECC Prem./Wtax Pag Ibig	591,835	-	-	591,835
Other Surplus Reserved	-	-	-	-
Payable to others	-	661,989	-	661,989
Other Disbursements	39,814	-		39,814
TOTAL	P 7,262,481	P 55,778,628	P -	P 63,041,109

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, 2017

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			✓
	Amendments 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			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Deletion of Short-term Exemptions			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions* *(effective January 1, 2018)*			✓
PFRS 3 (Revised)	Business Combinations			✓
	Amendment to PFRS 3: Remeasurement of Previously Held Interests in a Joint Operation *(effective January 1, 2019)*			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, *Financial Instruments*, with PFRS 4, *Insurance Contracts* * *(effective January 1, 2018)*			✓
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 (2014)* *(effective January 1, 2018)*	✓		
	Amendments to PFRS 9: Prepayment Features with Negative Compensation*			✓

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(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, 2017

PFRS 10	Consolidated Financial Statements			✓
	Amendments to PFRS 10: Transition Guidance			✓
	Amendments to PFRS 10: Investment Entities			✓
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* *(effective date deferred*			✓
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
	Amendment to PFRS 11: Remeasurement of Previously Held Interests in a Joint Operation *(effective January 1, 2019)*			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 12: Transition Guidance			✓
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception			✓
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers* *(effective January 1, 2018)*			✓
PFRS 16	Leases* *(effective January 1, 2019)*			✓
PFRS 17	Insurance Contracts* *(effective January 1, 2021)*			✓
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	✓		
	Amendments to PAS 1: Disclosure Initiative			✓
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative			✓
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	✓		
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
	Amendments to PAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses			✓
	Amendment to PAS 12 - Tax Consequences of Dividends* *(effective January 1, 2019)*			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Bearer Plants			✓
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization			✓

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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, 2017

PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans - Employee Contributions			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓
	Amendments: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
	Amendment to PAS 23: Eligibility for Capitalization			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Revised)	Separate Financial Statements			✓
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Revised)	Investments in Associates and Joint Ventures			✓
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* *(effective date deferred*			✓
	Amendments to PAS 28: Investment Entities - Applying the Consolidation Exception			✓
	Amendment to PAS 28: Measurement of Investment in Associates at Fair Value through Profit or Loss *(effective January 1, 2018)*			✓
	Amendment to PAS 28: Long-term Interest in Associates and Joint Venture *(effective January 1, 2019)*			✓
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			✓
	Amendments 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	✓		
PAS 38	Intangible Assets			✓
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓

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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, 2017

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			✓
	Amendments to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property			✓
	Amendment to PAS 40: Reclassification to and from Investment Property			✓
PAS 41	Agriculture			✓
	Amendments to PAS 41: Bearer Plants			✓
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 and their Interaction**			✓
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			✓

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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, 2017

IFRIC 22	Foreign Currency Transactions and Advance Consideration (*effective January 1, 2018*)			✓
IFRIC 23	Uncertainty Over Income Tax Treatments (effective *January 1, 2019*)			✓
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**			✓

* These standards will be effective for periods subsequent to 2017 and are not early adopted by the Association.

** These standards have been adopted in the preparation of financial statements but the Association has no significant transactions covere in both years presented.

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