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)
N/A	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 Deficiences shall not excuses the corporation from liability for its deficiencies.

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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, 2018 and 2017, 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 auditor 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

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Signed this 2nd day of April 2019

Financial Statements

NOVO ECIJANO TEACHERS MUTUAL BENEFIT ASSOCIATION, INC.

December 31, 2018 and 2017

REPORT OF INDEPENDENT AUDITORS

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

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Novo Ecijano Teachers Mutual Benefit Association, Inc.** (the Association), which comprise the statements of financial position as at December 31, 2018 and 2017, 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, 2018 and 2017, 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.

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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.

- 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, 2018 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

Ariel D. Gonzales

By: **Ariel D. Gonzales**
Partner
CPA Certification No. 89570
TIN 169-688-077-000
PTR No. 7336494, Jan. 7, 2019, Makati City
BIR Accreditation No. 08-003584-1-2019
(Mar. 06, 2019 to Mar. 05, 2022)
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 2, 2019

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Virginia Delos Reyes
Certified Public Accountant
Unit 19 Rocka Commercial Complex,
Plaridel, Bulacan

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, 2018, 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 Standards (PFRS) applicable to Mutual Benefit Associations (MBAs). 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 applicable to MBAs*.

vgdelosreyes

VIRGINIA GARCIA DELOS REYES
Certified Public Accountant
CPA Certificate No. 094539
TIN 143-345-655-000
BIR Accreditation No. 05-004260-001-2016
valid until September 15, 2019
PRC/BOA Certificate of Accreditation No. 3085
valid until October 25, 2021
CDA Accreditation No. CEA 0135 (Renewal)
valid until February 20, 2020
PTR No. 2482842, Jan. 14, 2019, Plaridel, Bulacan

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April 2, 2019

NOVO ECIJANO TEACHERS MUTUAL BENEFIT ASSOCIATION, INC.

(A Non-Stock, Non-Profit Association)

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2018 AND 2017

(Amounts in Philippine Peso)

		2018		2017
ASSETS				
CURRENT ASSETS				
Cash *(Note 5)*	P	2,083,649	P	2,910,289
Short-term investment *(Note 6)*		13,130,290		12,983,343
Loans and other receivables *(Note 7)*		18,308,898		18,418,933
Other current assets *(Note 8)*		2,700		9,380
Total Current Assets		33,525,537		34,321,945
NON-CURRENT ASSETS				
Loans and other receivables *(Note 7)*		76,053,511		74,319,248
Property and equipment *(Note 9)*		5,061,612		6,474,138
Total Non-current Assets		81,115,123		80,793,386
TOTAL ASSETS	P	114,640,660	P	115,115,331
LIABILITIES AND FUND BALANCE				
CURRENT LIABILITIES				
Accounts payable and other liabilities *(Note 10)*	P	692,253	P	592,573
Legal policy reserves *(Note 11)*		14,739,159		14,028,681
Members' deposits *(Note 12)*		11,069,049		9,941,288
Total Current Liabilities		26,500,461		24,562,542
NON-CURRENT LIABILITIES				
Accounts payables and other liabilities *(Note 10)*		12,804,894		12,666,706
Members' equity and contributions *(Note 13)*		28,929,122		29,979,659
Total Non-current Liabilities		41,734,016		42,646,365
Total Liabilities		68,234,477		67,208,907
FUND BALANCE				
Free and unassigned fund balance		10,295,371		11,942,559
Assigned fund balance *(Note 17)*		36,110,812		35,963,865
Total Fund Balance		46,406,183		47,906,424
TOTAL LIABILITIES AND FUND BALANCE	P	114,640,660	P	115,115,331

NOVO ECIJANO TEACHERS MUTUAL BENEFIT ASSOCIATION, INC.
(A Non-Stock, Non-Profit Association)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Amounts in Philippine Peso)

	2018	2017
REVENUES		
Interest on:		
Loans *(Note 7)*	P 7,368,025	P 8,422,858
Deposits with banks *(Notes 5 and 6)*	263,414	127,711
Service charges and fees *(Note 7)*	2,241,396	3,058,830
Membership fees, dues and contributions *(Note 13)*	2,027,724	2,427,610
Others	396,854	8,215
	12,297,413	14,045,224
EXPENSES *(Note 14)*		
Operating expenses	10,180,362	9,928,391
Benefit expenses	3,564,609	1,094,173
	13,744,971	11,022,564
PROFIT (LOSS) BEFORE TAX	(1,447,558)	3,022,660
TAX EXPENSE *(Note 16)*	52,683	25,542
NET (LOSS) PROFIT	(1,500,241)	2,997,118
COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE INCOME (LOSS)	(P 1,500,241)	P 2,997,118

See Notes to Financial Statements.

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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, 2018 AND 2017
(Amounts in Philippine Peso)

	Free and Unassigned Fund Balance	Assigned Fund Balance	Total
Balance at January 1, 2018 *(Note 17)*	P 11,942,559	P 35,963,865	P 47,906,424
Transfer to assigned fund balance *(Note 17)*	(146,947)	146,947	-
Total comprehensive loss for the year	(1,500,241)	-	(1,500,241)
Balance at December 31, 2018 *(Note 17)*	P 10,295,371	P 36,110,812	P 46,406,183
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

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, 2018 AND 2017
(Amounts in Philippine Peso)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit (loss) before tax	(P 1,447,558)	P 3,022,660
Adjustments for:		
Depreciation *(Note 9)*	1,412,525	1,441,813
Increase in legal policy reserves *(Note 11)*	710,478	884,173
Impairment losses *(Note 7)*	164,769	219,332
Gain on sale of property and equipment	(389,999)	-
Interest income *(Notes 5, 6 and 7)*	(7,631,439)	(8,550,569)
Operating loss before working capital changes	(7,181,224)	(2,982,591)
Increase in loans and other receivables	(1,624,228)	(14,080,788)
Decrease in other current assets	6,680	10,848
Increase (decrease) in accounts payable and other liabilities	237,868	(525,993)
Cash used in operations	(8,560,904)	(17,578,524)
Interest received *(Notes 5 and 7)*	7,368,025	8,436,549
Cash paid for taxes *(Note 16)*	(52,683)	(25,542)
Net Cash Used In Operating Activities	(1,245,562)	(9,167,517)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	390,000	-
Interest received *(Note 6)*	98,645	112,547
Increase in short-term investment *(Note 6)*	(146,947)	(89,743)
Net Cash From Investing Activities	341,698	22,804
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in members' deposits *(Note 12)*	1,127,761	6,815
Increase (decrease) in members' equity and contributions	(1,050,537)	6,666,864
Net Cash From Financing Activities	77,224	6,673,679
NET DECREASE IN CASH	(826,640)	(2,471,034)
CASH AT BEGINNING OF YEAR	2,910,289	5,381,323
CASH AT END OF YEAR *(Note 5)*	P 2,083,649	P 2,910,289

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See Notes to Financial Statements.

NOVO ECIJANO TEACHERS MUTUAL BENEFIT ASSOCIATION, INC.
(A Non-Stock, Non-Profit Association)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017
(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, 2018 (including the comparative financial statements as of and for the year ended December 31, 2017) were authorized for issue by the Association's Board of Trustees (BOT) on April 2, 2019.

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

The financial statements have been prepared using the measurement bases specified by PFRS applicable to MBAs 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.

In 2018, the Association adopted PFRS 9, Financial Instruments, which was applied using the transitional relief allowed by the standard. This allows the Association not to restate its prior periods' financial statements. Differences arising from the adoption of PFRS 9 in relation to classification and measurement and impairment of financial assets are recognized in the opening balance of Unassigned Fund Balance (or other component of equity, as appropriate) in the current year.

Further, the Association adopted PFRS 15, Revenue from Contracts with Customers, which was applied using the modified retrospective approach under which changes having a material retrospective restatement on certain accounts in the statement of financial position as at January 1, 2018 are presented together as a single adjustment to the opening balance of Unassigned Fund Balance.

Accordingly, the adoption of these two new accounting standards did not require the Association to present its third statement of financial position.

c. *Functional and Presentation Currency*

These financial statements are presented in Philippine pesos, the Association's functional currency 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 2018 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, 2018:

PFRS 9	:	Financial Instruments
PFRS 15	:	Revenue from Contract with Customers; Clarifications to PFRS 15

Discussed below is the relevant information about these amended standards:

i. PFRS 9 (2014), *Financial Instruments* (issued in 2014). This new standard on financial instruments will replace PAS 39, *Financial Instruments: Recognition 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, i.e., financial assets at amortized costs, fair value through profit and loss (FVTPL), and fair value through other comprehensive income (FVOCI);

   b. an expected credit loss (ECL) model in determining impairment of all debt 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 such financial assets; and,

   c. 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.

   The Association's new accounting policies relative to the adoption of PFRS 9 is fully disclosed in the succeeding paragraph.

   There is no material impact of the adoption of this new accounting standard to the Association's financial statements.

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ii. PFRS 15, Revenue from Contract with Customers, together with the Clarifications to PFRS 15 (herein referred to as PFRS 15). This standard will replace PAS 18, Revenue, and PAS 11, Construction Contracts, the related Interpretations on revenue recognition: International Financial Reporting Interpretations Committee (IFRIC) 13, Customer Loyalty Programmes, IFRIC 15, Agreement for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers and Standing Interpretations Committee 31, Revenue – Barter Transactions Involving Advertising Services. This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in the said framework is for an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Association's adoption of PFRS 15 has resulted in changes in its accounting policies and has no material impact to the Association's financial statements.

b. *Effective in 2018 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, 2018 but are not relevant to the Association's financial statements:

PFRS 2 (Amendments)	:	Share-based Payment – Classification and Measurement of Share-based Payment Transactions
IFRIC 22	:	Foreign Currency Transactions and Advance Consideration
PAS 40 (Amendments)	:	Investment Property – Reclassification to and from investment property
Annual Improvements to PFRS (2014-2016 Cycle)		
PAS 28 (Amendments)	:	Investment in Associates – Clarification on Fair Value Through Profit or Loss Classification
PFRS 1 (Amendments)	:	First-time Adoption of Philippine Financial Reporting Standards – Deletion of Short-term Exemptions

c. *Effective Subsequent to 2018 but not Adopted Early*

There are new PFRS, amendments and annual improvements to existing standards effective for annual periods subsequent to 2018 which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions, and unless otherwise stated none of these pronouncements are expected to have significant impact on the Association's financial statements:

i. PAS 19 (Amendments), *Employee Benefits – Plan Amendment, Curtailment or Settlement* (effective January 1, 2019). The amendments require the use of updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity remeasures its net defined benefit liability (asset).

ii. PFRS 9 (Amendment), *Financial Instruments – Prepayment Features with Negative Compensation* (effective from January 1, 2019). The amendments clarify 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 Fair value through other comprehensive income (FVTOCI).

iii. 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.

iv. IFRIC 23, *Uncertain over Income Tax Treatments* (effective from January 1, 2019). The interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Association to consider the probability of the tax treatment being accepted by the taxation authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Association has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above.

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 12 (Amendments), *Income taxes – Tax Consequences of Dividends*. The amendments clarify that all income tax consequence of dividend payments should be recognized in profit or loss.

- 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.

Financial Instruments

a. Financial Assets

Financial assets are recognized when the Association becomes a party to the contractual terms of the financial instruments. Except for those receivables that do not contain a significant financing component and are measured at the transaction price in accordance with PFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable). For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

Classification, Measurement and Reclassification of Financial Assets in Accordance with PFRS 9

Under PFRS 9, the classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification and measurement of financial assets are described in the succeeding pages.

i. Financial Assets at Amortized Cost

Financial assets are measured at amortized cost if both of the following conditions are met (and are not designated as FVTPL):

- the asset is held within the business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,

- the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

Except for trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with PFRS 15, all financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less any impairment in value.

This category includes non-derivative financial assets. These assets arise when the Association provides money or services directly to a debtor with no intention of trading the receivables (loans and receivables) but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. Included in this category are those arising from direct loans to customers and all receivables from customers and other companies. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.

The Association's financial assets measured at amortized cost comprise Cash, short-term investments and Loans and other receivables in the statements of financial position.

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

Short-term investment highly liquid investments with original maturities of three months to one year, readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment losses. Any change in their value is recognized in profit or loss. 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.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets at amortized cost, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized in the profit or loss of statement of comprehensive income as part of Interest income.

ii. *Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI)*

The Association accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective is to hold to collect the associated cash flows and sell ("hold to collect and sell"); and,

- the contractual terms of the financial assets give rise to cash flows that are SPPI on the principal amount outstanding.

At initial recognition, the Association can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Association for trading or as mandatorily required to be classified as FVTPL.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value, including the foreign exchange component, are recognized in other comprehensive income, net of any effects arising from income taxes, and are reported as part of Revaluation Reserves account in equity. When the asset is disposed of, the cumulative gain or loss previously recognized in the Surplus reserve account is not reclassified to profit or loss but is reclassified directly to Surplus free account, except for those debt securities classified as FVOCI wherein cumulative fair value gains or losses are recycled to profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized in profit or loss in the statement of comprehensive income as part of Interest income.

Any dividends earned on holding equity instruments are recognized in profit or loss when the Association's right to receive dividends is established, it is probable that the economic benefits associated with the dividend will flow to the Association, and, the amount of the dividend can be measured reliably, unless the dividends clearly represent recovery of a part of the cost of the investment.

As at December 31, 2018, the Association does not have financial assets designated at FVOCI.

iii. *Financial Assets at Fair Value Through Profit or Loss (FVTPL)*

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell" are categorized at FVTPL. Further, irrespective of business model, financial assets whose contractual cash flows are not SPPI are accounted for at FVTPL. Also, equity securities are classified as financial assets at FVTPL, unless the Association designates an equity investment that is not held for trading as at FVOCI at initial recognition.

Financial assets at FVTPL are measured at fair value with gains or losses recognized in the profit or loss as part of Interest income in the statements of comprehensive income. The fair values of these financial assets are determined by reference to active market transactions or using a valuation technique where no active market exists.

Interest earned on these investments is included in the net fair value gains (losses) on these assets presented as part of Interest income in the statements comprehensive income.

As at December 31, 2018, the Association does not have financial assets designated at FVTPL.

The Association can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Association is required to reclassify financial assets: (i) from amortized cost to FVTPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and, (ii) from FVTPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria.

A change in the objective of the Association's business model will take effect only at the beginning of the next reporting period following the change in the business model.

Classification, Measurement and Reclassification of Financial Assets in Accordance with PAS 39

Financial assets are assigned to different categories by management on initial recognition, depending on the purpose for which the investments were acquired and their characteristics. Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at FVTPL, loans and receivables, HTM investments and AFS financial assets.

A more detailed description of the four categories of financial assets relevant to the Association as at and for the year ended December 31, 2017 follows:

i. *Financial Assets at Fair Value Through Profit or Loss (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 at December 31, 2017, the Association does not have financial assets designated at FVTPL.

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ii. 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 banks.

The Association's financial assets categorized as loans and receivables are presented as Cash and Loans and other receivables in the statements of financial position.

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

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.

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. As at December 31, 2017, the Association holds government bonds designated into this category.

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, the Association has no HTM Investments.

iv. 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 financial asset is disposed of or is determined to be impaired, that is, when there is a significant or prolonged decline in the fair value of the security below its cost, the cumulative 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 at December 31, 2017, the Association does not have AFS financial assets.

b. *Impairment of Financial Assets*

Impairment of Financial Assets Under PFRS 9

Effective January 1, 2018, PFRS 9's new impairment requirements use more forward-looking information to recognize expected credit losses – the 'expected credit loss' (ECL) model. This replaces PAS 39's 'incurred loss model'.

Recognition of credit losses is no longer dependent on the Association first identifying a credit loss event. Instead the Association considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument. It also 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. When financial assets are carried at amortized cost, the Association first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Association determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial asset with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans or investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit loss that have not been incurred) discounted at the financial asset's original effective interest rate. The Association also considers impairment provisions based on the simplified approach within IFRS 9 using the expected credit losses (ECL). During this process the probability of the non-payment of loans and receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the expected credit loss for the loans and receivables.

To calculate the ECL, the Association uses its historical experience, external indicators and forward-looking information to calculate the ECL using a provision matrix.

Credit exposures shall be classified into three stages using the following time horizons in measuring ECL:

Stage 1 - Credit exposures that are considered "performing" and with no significant increase in credit risk since initial recognition or with low credit risk : twelve (12) months ECL.

Stage 2 - Credit exposures that are considered "under-performing" or not yet non-performing but with significant increase in credit risk since initial recognition : lifetime ECL.

Stage 3 - Credit exposures with objective evidence of impairment, thus, considered as "non-performing" : lifetime ECL.

In 12-month ECL, the Association consider reasonable and supportable information, including forward-looking information that affect credit risk in estimating the 12-month ECL. The exercise experienced credit judgment and consider both qualitative and quantitative information that may affect the assessment.

In lifetime ECL, the Association evaluate the change in the risk of default occurring over the expected life of the exposures in assessing whether these shall be moved to a lifetime ECL measure. Although collateral will be used to measure the loss given a default, this should not be primarily used in measuring risk of a default or in transferring to different stages. The Association measure lifetime ECL of exposures that have significantly increased their credit risk from origination (Stage 2); and non-performing exposures (Stage 3).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of comprehensive income. If loans or investments have a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Association may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

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

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

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

When a loan is uncollectible it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures, including approval from the management and the BOD, have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are presented as part of Other income in the statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the statement of comprehensive income.

When possible, the Association seeks to restructure loans rather than to take possession of collateral. This may involve extending payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews restructured loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loans' original effective interest rate. The difference between the recorded sale of the original loan and the present value of the restructured cash flows, discounted at the original effective interest rate, is recognized in profit or loss as part of Impairment losses.

Impairment of Financial Assets Under PAS 39

As of December 31, 2017, the Association recognizes impairment loss based on the category of financial assets as follows:

i. Assets Carried at Amortized Cost

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

If there is objective evidence that an impairment loss on loans or carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit loss that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of comprehensive income. If loans or HTM investments have a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. When practicable, the Association may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

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

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

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

When a loan is uncollectible it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures, including approval from the management and the BOD, have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are presented as part of Other income in the statements of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in the statement of comprehensive income.

When possible, the Association seeks to restructure loans rather than to take possession of collateral. This may involve extending payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews restructured loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loans' original effective interest rate. The difference between the recorded sale of the original loan and the present value of the restructured cash flows, discounted at the original effective interest rate, is recognized in profit or loss as part of Impairment losses.

ii. Assets Carried at Fair Value

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

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

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

iii. 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, Gain on disposal of financial assets, Dividend income and Recoveries from accounts written-off (presented as part of Other income) in the Statement of comprehensive income.

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

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 Association neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Association recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Association retains substantially all the risks and rewards of ownership of a transferred financial asset, the Association continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

e. Financial Liabilities

As the accounting for financial liabilities remains largely the same under PFRS 9 compared to PAS 39, the Association's financial liabilities were not impacted by the adoption of PFRS 9. However, for completeness, the accounting policy is disclosed below.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Association designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortized cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognized in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

Financial liabilities include member's deposits accounts payable other liabilities (excluding tax payables and post-employment benefit obligation), reserve fund, legal policy reserves and member's equity and contributions are recognized when the Association becomes a party to the contractual terms of the instrument. All interest-related charges are recognized as Interest expense in the statement of comprehensive income.

Members deposit are recognized initially at fair value, which is the issue proceeds (fair value of consideration received).

Accounts payable and other liability and member's equity and contribution 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 at fair value which is amount recommended by independent activity.

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 Expense 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 based on the accrual method of accounting taking into account the effective yield on the asset.

   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.

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For other income arises in the performance of Association's services, the Association follows a 5-step process to determine whether to recognize revenue:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognizing revenue when/as performance obligation(s) are satisfied.

For Step 1 to be achieved, the following five gating criteria must be present:

i. the parties to the contract have approved the contract either in writing, orally or in accordance with other customary business practices;
ii. each party's rights regarding the goods or services to be transferred or performed can be identified;
iii. the payment terms for the goods or services to be transferred or performed can be identified;
iv. the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract); and,
v. collection of the consideration in exchange of the goods and services is probable.

Revenue is recognized either at a point in time or over time, when (or as) the Association satisfies performance obligations by transferring the promised goods or services to its customers.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

i. the customer simultaneously receives and consumes the benefits provided by the Association's performance as the Association performs;
ii. the Association's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,
iii. the Association's performance does not create an asset with an alternative use to the Association and the entity has an enforceable right to payment for performance completed to date.

The Association recognizes contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Association satisfies a performance obligation before it receives the consideration, the Association recognizes either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Income that were recognized under the above criteria are discussed as follows:

a. *Service charges and fees* – revenue is amortized and recognized using the effective interest rate method as income over the term of the loan.

b. *Membership fees, dues and contributions* – revenue is recognized monthly as they become due from members and is reliably measured.

c. *Others* – these are recognized when earned.

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In 2017 and prior periods, the Association recognized revenues based on the provisions of PAS 18 which is to the extent that such revenues and the related costs incurred or to be incurred can be measured reliably and it is probable that future economic benefits will flow to the Association. Where the outcome of the contract cannot be measured reliably, revenue is recognized only to the extent of the expenses recognized that are recoverable.

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 Association's financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect the 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 the circumstances. Actual results may ultimately differ from these estimates.

Critical 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. *Application of ECL on Financial Assets at Amortized Cost (2018)*

The Association uses a provision matrix to calculate ECL for all debt instruments carried at amortized cost. The allowance for impairment is based on ECLs associated with the probability of default of a financial instrument in the next 12 months unless there has been a significant increase in credit risk since origination of the financial instrument, in such case, a lifetime ECL for the instrument is recognized.

The Association has established a policy to perform as assessment, at the end of each reporting period, whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the reminding life of the financial instrument. Details about the ECL on the Association's loan and other receivables are disclosed in Notes 3 and 7.

b. *Evaluation of Business Model Applied in Managing Financial Instruments (2018)*

The Association manages its financial assets based on business models that maintain adequate level of financial assets to match its expected cash outflows, largely its core deposit funding arising from members' withdrawals and continuing loan disbursements to members, while maintaining a strategic portfolio of financial assets.

Upon adoption of PFRS 9, the Association developed business models which reflect how it manages its portfolio of financial instruments. The Association's business models need not be assessed at entity level or as a whole but shall be applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Association) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument under PFRS 9, the Association evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Association (e.g., held-for-trading, generating accrual income, direct matching to a specific liability) as those relate to the Association's investment strategies.

c. *Testing the Cash Flows Characteristics of Financial Assets and Continuing Evaluation of the Business Model (2018)*

In determining the classification of financial assets under PFRS 9, the Association assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria. In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Association assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion. The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Association considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

In addition, PFRS 9 emphasizes that if more than an infrequent sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Association considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessary inconsistent with a held-to-collect business model if the Association can explain the reasons for those sales and why those sales do not reflect a change in the Association's objective for the business model.

d. *Distinguishing 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.

e. *Determination of Timing of Satisfaction of Performance Obligations (2018)*

The Association determines that its revenue from services shall be recognized over time. In making its judgment, the Association considers the timing of receipt and consumption of benefits provided by the Association to the borrowers or customers.

In determining the best method of measuring the progress of the Association's rendering of services, management considers the input method under PFRS 15 because of the direct relationship between the Association's effort, in terms of incurred labor hours, and the transfer of service to the customer or borrower.

f. Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and disclosure of contingencies are discussed in Note 3 and relevant disclosures are presented in Note 18.

Key Sources of Estimation Uncertainty

Presented below and in the succeeding pages 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 resources and liabilities within the next financial year:

a. Estimation of Allowance for ECL (2018)

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 7.

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

b. Estimation of Impairment of Financial Assets (2017)

The Association reviews its Loans and Other Receivables portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in profit or loss, the Association makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from the financial asset or a portfolio of similar financial assets. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers or issuers in a group, or national or local economic conditions that correlate with defaults on assets in the group.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The total impairment losses on financial assets recognized in profit or loss is presented in Note 7.

c. Fair Value Measurement for 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.

d. Estimation of Useful Lives Property and Equipment

The Association estimates the useful lives property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives 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 property are analyzed in Note 9. Based on management assessment as at December 31, 2018 and 2017, there is no change in estimated useful lives of those assets during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

e. Impairment of Non-financial Assets

PFRS requires that an impairment review be performed when certain impairment indications are present. The Association's policy on estimating the impairment of non-financial assets is discussed in detail in Note 3. 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.

f. 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, 2018, 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).*

g. Valuation of Legal Policy Reserves

Legal policy reserves represent estimates of present value of future benefit payments to members. These estimates are based on valuation method subject to the provisions of the Insurance Code and guideline set by Insurance Commission.

At each reporting date, these estimates are reassessed for adequacy and changes will be reflected in adjustments to the liability.

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5. CASH

This account comprises of the following:

		2018		2017
Cash in banks	P	2,073,649	P	2,900,289
Petty cash fund		10,000		10,000
	P	2,083,649	P	2,910,289

Cash in banks generally earn interest at rates based on daily banks deposit rates. The interest earned in cash in banks amounted to P5,277 in 2018 and P13,691 in 2017 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 P13,130,290 in 2018 and P12,983,343 in 2017 is a one-year term deposit placement with a local bank bearing an annual effective interest of 0.5% to 1.0% and 0.5% to 1.0% in 2018 and 2017. The interest earned on short-term placement amounted to P258,137 in 2018 and P114,020 in 2017 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:

		2018		2017
Consumption loans	P	99,936,429	P	104,869,088
Other receivables:				
Accounts receivable		10,829,996		2,880,298
Members' contribution due and uncollected		749,990		760,850
Unremitted members contributions		201,096		209,279
Accrued interest receivable		100,102		40,540
		111,817,613		108,760,055
Unearned interest income	(	11,534,465)	(	10,217,958)
Allowance for impairment losses	(	5,920,739)	(	5,803,916)
	P	94,362,409	P	92,738,181

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The balance of this account is presented in the statements of financial position as follows:

	2018	2017
Current	P 18,308,898	P 18,418,933
Non-current	76,053,511	74,319,248
	P 94,362,409	P 92,738,181

An analysis of changes in the gross carrying amount and the corresponding ECL allowances follow:

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amounts as at January 1, 2018	P 108,471,696	P 15,433	P 272,926	P 108,760,055
New assets originated	304,293,528	-	-	304,293,528
Assets derecognized or prepaid	(301,188,024)	-	-	(301,188,024)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	(3,776)	3,776	-
Transfer to Stage 3	(54,199)	(5,828)	60,027	-
Amounts written-off	(47,946)	-	-	(47,946)
Gross carrying amounts as December 31, 2108	P 111,475,055	P 5,829	P 336,729	P 111,817,613
ECL allowance as at January 1, 2018 Under PFRS 9	P 5,527,131	P 3,858	P 272,927	P 5,803,916
Provision for (recovery) of credit losses	107,685	-	57,084	164,769
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	(944)	944	-
Transfer to Stage 3	(542)	(1,457)	1,999	-
Amounts written-off	(47,946)	-	-	(47,946)
ECL allowance as at December 31, 2018 under PFRS 9	P 5,586,328	P 1,457	P 332,954	P 5,920,739

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 4% in 2018 and 2017. 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 P7,368,025 and P8,422,858 in 2018 and 2017, respectively.

The Association collects service fees of 6% on every loans granted. The service fees recognized amounted to P2,241,396 in 2018 and P3,058,830 in 2017 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 Association provides collectively impairment losses aside from specifically impaired receivables.

With the foregoing level of allowance for impairment and credit losses, management believes that the Association has sufficient allowance to take care of any losses that the Association may incur from the non-collection or non-realization of its receivables and other risk assets.

8. OTHER CURRENT ASSETS

This account consists of unused supplies amounted to P2,700 and P9,380 as of December 31, 2018 and 2017 respectively.

9. PROPERTY AND EQUIPMENT

The gross carrying amounts and the accumulated depreciation at the beginning and end of 2018 and 2017 are shown below:

	Office Equipment	Furniture and Fixtures	Transportation Equipment	Building	Total
December 31, 2018,					
Cost	P 1,290,983	P 938,330	P -	P 14,125,252	P 16,354,565
Accumulated depreciation	(1,290,946)	(938,304)	-	(9,063,703)	(11,292,953)
Net carrying amount	P 37	P 26	P -	P 5,061,549	P 5,061,612
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

A reconciliation of the carrying amounts at the beginning and end of 2018 and 2017, of property and equipment is shown below:

	Office Equipment	Furniture and Fixtures	Transportation Equipment	Building	Total
Balance at January 1, 2018, net of accumulated depreciation	P 37	P 26	P 1	P 6,474,074	P 6,474,138
Disposal	-	-	(1,898,908)	-	(1,898,908)
Accumulated depreciation disposal	-	-	1,898,907	-	1,898,907
Depreciation for the year *(see Note 14)*	-	-	-	(1,412,525)	(1,412,525)
Balance at December 31, 2018 net accumulated depreciation	P 37	P 26	P -	P 5,061,549	P 5,061,612
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 accumulated depreciation	P 37	P 26	P 1	P 6,474,074	P 6,474,138

The building with a net carrying value of P5,061,549 as of December 31, 2018 and P6,474,074 as of December 31, 2017 was acquired under installment *(see Note 10)*.

The Company recognized gain on disposal of transportation equipment amounting to P389,999 in 2018 which presented as part of other income in the statements of other comprehensive income.

As of December 31, 2018, and 2017, there was no investment property pledged as collateral for liabilities. There were no expenses recognized related to impairment in both years.

None of the property and equipment is used as collateral in 2018 and 2017. The management believes that no impairment loss should be recognized in 2018 and 2017.

10. ACCOUNTS PAYABLE AND OTHER LIABILITIES

This account consists of:

	2018	2017
Accounts payable	P 10,535,987	P 10,517,877
Retirement benefit obligation *(see Note 15)*	2,645,563	2,507,375
Management and other professional fees payable	148,770	74,790
Others	166,827	159,237
	P 13,497,147	P 13,259,279

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

	2018	2017
Current	P 692,253	P 592,573
Non-current	12,804,894	12,666,706
	P 13,497,147	P 13,259,279

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 2018 and 2017 *(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 March 25, 2019.

The movement in the legal policy reserves is presented below:

	2018	2017
Balance at beginning of year	P 14,028,681	P 13,144,508
Increase during the year	710,478	884,173
Balance at end of year	P 14,739,159	P 14,028,681

12. MEMBERS' DEPOSITS

This account is composed of members' deposits amounting to P11,069,049 and P9,941,288 as of December 31, 2018 and 2017, 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 P475,000 and P487,900 in 2018 and 2017, 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, 2018 and 2017, the Association has a total of 4,750 and 4,879 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 P2,027,724 and P2,427,610 in 2018 and 2017, respectively.

14. EXPENSES

The details of these accounts are shown below:

		2018		2017
Salaries and employee benefits *(see Note 15)*	P	5,073,758	P	5,028,756
Depreciation *(see Note 9)*		1,412,525		1,441,813
Professional fees		1,347,073		1,225,158
Increase in legal policy reserves		710,478		884,173
Security		297,327		288,000
Rentals *(see Note 18)*		266,000		260,000
Taxes and licenses *(see Note 24)*		224,770		146,650
Communication and utilities		205,194		230,674
Impairment losses *(see Note 7)*		164,769		219,332
Office supplies		37,462		31,358
Transportation and travel		17,822		16,839
Repairs and maintenance		15,630		9,212
Others		3,972,163		1,240,599
	P	13,744,971	P	11,022,564

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

		2018		2017
Operating expenses	P	10,180,362	P	9,928,391
Benefit expenses		3,564,609		1,094,173
	P	13,744,971	P	11,022,564

15. EMPLOYEES' BENEFITS

Expenses recognized for salaries and employee benefits are presented below:

		2018		2017
Salaries and wages	P	3,212,460	P	3,175,645
Employees' welfare and benefits		1,539,619		1,538,790
Social security costs		183,492		179,983
Retirement benefits		138,187		134,338
	P	5,073,758	P	5,028,756

The Association was not able to obtain an actuarial valuation of its retirement benefit expense for 2018 and 2017 and the corresponding retirement benefit obligations as of December 31, 2018 and 2017, 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 P2,645,563 and P2,507,375 as of December 31, 2018 and 2017 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 P52,683 in 2018 and P25,542 in 2017.

17. FUND BALANCE

Assigned Fund Balance

This account consist of the following:

		2018		2017
Community, research and development	P	13,151,494	P	13,151,494
Guaranty fund		13,130,290		12,983,343
Members' education & scholarship		6,575,747		6,575,747
Improving system and equipment		3,253,281		3,253,281
Balance at end of year	P	36,110,812	P	35,963,865

The reconciliation of assigned fund balance is presented below:

		2018		2017
Balance at beginning of year	P	35,963,865	P	32,828,397
Additional reserves during the year		-		6,457,934
Transfer to unassigned fund balance		146,947		(3,322,466)
Balance at end of year	P	36,110,812	P	35,963,865

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, 2018 to August 31, 2023, with renewal options. The future minimum rentals from this lease as of December 31, 2018 and 2017 are as follows:

	2018	2017
Due within one year	P 272,000	P 176,000
Due beyond one year	950,000	-
	P 1,222,000	P 176,000

Total rental expense from this operating lease amounted to P266,000 in 2018 and P260,000 in 2017 *(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, 2018, 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:

	2018		2017		
	Amount of Transactions	Outstanding Balance	Amount of Transactions	Outstanding Balance	Terms and Condition
Key management and employees					
Loans receivable	P 735,000	P 3,219,180	P 563,279	P 3,396,263	
Interest on loans	120,000	-	411,780	-	
	2,163,687	-	2,027,539	-	

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 2018 and 2017, the Association's outstanding loans to related parties amounted to P3,219,180 and P3,396,263, 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:

	2018	2017
Balance at beginning of year	P 3,396,263	P 2,832,984
Releases during the year	735,000	2,527,940
Collections during the year	(912,083)	(1,964,661)
Balance at end of year	P 3,219,180	P 3,396,263

Interest income on these amounted to P120,600 in 2018 and P411,780 in 2017 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:

	2018	2017
Salaries and wages	P 1,259,610	P 1,249,200
Retirement benefits	138,188	134,338
Employees' benefits	582,399	464,018
Social security costs	183,491	179,983
	P 2,163,688	P 2,027,539

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.

Market Risk

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

a. *Foreign Currency Sensitivity*

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

b. *Interest Rate Sensitivity*

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

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

c. *Other Price Risk Sensitivity*

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

Credit Risk

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

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

	2018	2017
Cash	P 2,073,649	P 2,900,289
Short-term investment	13,130,290	12,983,343
Loans and other receivables	94,362,409	92,738,181
	P 109,566,348	P 108,621,813

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

	2018					
	Neither Past Due Nor Impaired			Past Due		
	High Grade	Standard Grade	Substantard Grade	But Not Impaired	Impaired	Total
Cash	P 2,073,649	P -	P -	P -	P -	P 2,073,649
Short-term investment	13,130,290	-	-	-	-	13,130,290
Loans and receivables:						
Consumption	82,481,225	-	-	-	5,920,739	88,401,964
Members' contribution due and uncollected	749,990	-	-	-	-	749,990
Unremitted members contributions	201,096	-	-	-	-	201,096
Accounts receivable	10,829,996	-	-	-	-	10,829,996
Accrued interest receivable	100,102	-	-	-	-	100,102
	P109,566,348	P -	P -	P -	P 5,920,739	P115,487,087

	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
	P118,839,771	P -	P -	P - -	P 5,803,916	P124,643,687

Under PFRS, a financial asset is past due when the counterparty has failed to make a payment when contractually due. As of December 31, 2018 and 2017, the Association does not have past due but not impaired. Further, the Association provides collectively allowance for impairment losses of P5,920,739 and P5,803,916 as of December 31, 2018 and 2017, 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:

	2018				
	On Demand	Less than 3 Months	3 to 12 Months	Over 1 Year	Total
Financial assets:					
Cash	P 2,073,649	P -	P -	P -	P 2,073,649
Short-term investments	-	-	13,130,290	-	13,130,290
Loans and other receivables	6,205,198	6,009,940	6,093,760	76,053,511	94,362,409
	P 8,278,847	P 6,009,940	P 19,224,050	P 76,053,511	P 109,566,348
Financial liabilities:					
Accounts payable and other liabilities	P 680,578	P -	P -	P 12,804,894	P 13,485,472
Legal policy reserves	14,739,159	-	-	-	14,739,159
Members' deposits	11,069,049	-	-	-	11,069,049
Members' equity contributions	-	-	-	28,929,122	28,929,122
	26,488,786	-	-	41,734,016	68,222,802
Cumulative gap	(P 18,209,939)	P 6,009,940	P 19,224,050	P 34,319,495	P 41,343,546

	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	3,320,523	74,319,248	92,738,181
	11,561,234	6,447,465	16,303,866	74,319,248	108,631,813
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 and contributions	-	-	-	29,979,659	29,979,659
	24,562,542	-	-	42,646,365	67,208,907
Cumulative gap	(P 13,001,308)	P 6,447,465	P 16,303,866	P 31,672,883	P 41,422,906

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, 2018 and 2017:

	2018		2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Cash	P 2,083,649	P 2,083,649	P 2,910,289	P 2,910,289
Short-term investment	13,130,290	13,130,290	12,983,343	12,983,343
Loans and receivable	94,362,409	94,362,409	98,542,097	92,738,181
	P 109,576,348	P 109,576,348	P 114,435,729	P 108,631,813
Financial Liabilities				
Accounts payable and other liabilities	P 13,485,472	P 13,485,472	P 13,259,279	P 13,259,279
Legal policy reserves	14,739,159	14,739,159	14,028,681	14,028,681
Members' deposits	11,069,049	11,069,049	9,941,288	9,941,288
Members' equity contributions	28,929,122	28,929,122	29,979,659	29,979,659
	P 68,222,802	P 68,222,802	P 67,208,907	P 67,208,907

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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 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:

	2018	2017
Total liabilities	P 68,234,477	P 67,208,907
Total equity	46,406,183	47,906,424
Debt-to-equity ratio	1.47:1.00	1.40:1.00

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:

	2018	2017
Property and equipment	P 6,474,074	P 6,474,138
Accrued interest income	100,102	40,540
Prepayments	-	9,380
	P 6,574,176	P 6,524,058

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24. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Presented below and in succeeding pages is the supplementary information which is required by the Bureau of Internal Revenue (BIR) under Revenue Regulations (RR) No. 15-2010 to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS for MBAs.

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 2018.

f. *Taxes and Licenses*

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

Municipal license and permits	P	178,490
Insurance commission filing and license fee		20,200
Annual registration		500
Others		25,580
	P	224,770

g. *Withholding Taxes*

The details of total withholding taxes for the year ended December 31, 2018 are shown below:

Compensation	P	159,701
Expanded		13,375
	P	173,076

h. *Deficiency Tax Assessment and Tax Case*

As of December 31, 2018, 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.

AMC & ASSOCIATES

Certified Public Accountants

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, 2018, on which we have rendered our report dated April 2, 2019. 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, 2018 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, applicable to Mutual Benefit Associations (MBAs).

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 our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

AMC & ASSOCIATES

Ariel D. Gonzales

By: Ariel D. Gonzales
Partner
CPA Certification No. 89570
TIN 169-688-077-000
PTR No. 7336494, Jan. 7, 2019, Makati City
BIR Accreditation No. 08-003584-1-2019
(Mar. 06, 2019 to Mar. 05, 2022)
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)

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April 2, 2019

NOVO ECIJANO TEACHERS'
MUTUAL BENEFIT ASSOCIATION, INC.

REPUBLIC OF THE PHILIPPINES)
_______________________________) 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, 2018:

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

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

Fortunato L. Dimagiba, Jr.
President

Atty. Tomas F. Lahom III
Treasurer

SUBSCRIBED AND SWORN to before me this 10 APR 2019 at PASAY CITY affiants exhibited to their Community Tax Certificate as follows:

Name	SSS/UMID ID	Date of Issue	Place of Issue
Fortunato L. Dimagiba, Jr.	03-8119585-4		
Atty. Tomas F. Lahom III	CRN-006-0104-3404-2		

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ATTY. HENRY D. ADASA
NOTARY PUBLIC
UNTIL DECEMBER 31, 2019
COMMISSION 17-23
PASADENIA ST., PASAY CITY
IBP NO. 047427 - 01/03/19 PASIG
PTR NO. 5826667 - 01/03/19 P.C.
MCLE COMPLIANCE NO. VI-0002830 - 4/14/2022
ROLL NO. 29679

NOTARY PUBLIC

Doc. No. : 122
Page No. : 26
Book No. : XVI
Series of 2019

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, 2018

	General Fund	Mutual Benefit Fund	Optional Fund	Total
Membership Fees/Dues Contribution	P 346,753	P 667,019	P -	P 1,013,772
Gross Income			-	
Interest on Deposits with Banks	486	41,680	-	42,166
Interest on Past Due Loan	-	3,959	-	3,959
Fund Transfer Received for Profit Sharing (30%)	2,311,584	-	-	2,311,584
Deposits/Equity				
Members Deposit	-	1,743,580	-	1,743,580
Capital Equity - Investors/Members	300,000	306,300	-	606,300
Equity Participation	-	1,412,159	-	1,412,159
Fin. Asst. Rec'ble - Members/C#12	-	22,613,177	-	22,613,177
Guaranty Fund	-	-	-	-
Maturity of Placement - Time Deposit	-	109,003	-	109,003
Service Charges	-	-	-	-
Miscellaneous Income	-	5,846	-	5,846
SSS, Medicare & ECC Premium/W/holding Tax	394,379	-	-	394,379
Regional Collection High School/Elem. School	-	15,854,610	-	15,854,610
Other Deferred Credits/Others	756,360	390,000	-	1,146,360
Due to/Due From other funds	2,960,996	(2,960,996)	-	-
Loan Payable	200,000	-	-	200,000
TOTAL	P 7,270,558	P 40,186,337	P -	P 47,456,895

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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, 2018	

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 ☒ Noncash ☐

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[1] A contributor or donor includes individuals, partnerships, corporations, associations, trusts and organizations.
[2] If supranational organization, indicate place of principal office or domicile.
[3] Contributions or donations reportable on the Schedule are contributions, donations, grants, bequests, devises, and gifts of money or property, amounting to P100,000.00 or more from each contributor or donor.

Name of Foundation/Organization NOVO ECIJANO TEACHERS MUTUAL BENEFIT ASSOCIATION, INC.	SEC Registration No. A200102996
For the year ended DECEMBER 31, 2018	

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	

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Signed under oath by the following:

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

Signed this 2nd day of April 2019

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

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, 2018

	General Fund	Basic Benefit Fund	Optional Fund	Total
Benefits Paid	P -	P 105,000	P -	P 105,000
Direct Expense				
Underwriting Expense	-	-	-	-
Operating Expenses	6,886,286	5,013,475	-	11,899,761
Loan Releases	-	27,663,336	-	27,663,336
Withdrawals	-	2,604,682	-	2,604,682
Capital Equity - Members/Investors	-	2,125,965	-	2,125,965
Equity Participation	-	504,665	-	504,665
Placement of Time Deposit	-	-	-	-
Furniture, Fixtures & Equipment/ Supplies/Building	-	-	-	-
Management & Notarial Fees	-	2,144,790	-	2,144,790
Management & Prof. Fees (Paymaster)	-	-	-	-
SSS, Medicare & ECC Prem./Wtax Pag Ibig	371,622	-	-	371,622
Other Surplus Reserved	28,680	-	-	28,680
Payable to others	-	-	-	-
Other Disbursements	39,960	648,125	-	688,085
TOTAL	P 7,326,548	P 40,810,038	P -	P 48,136,586

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NOVO ECIJANO TEACHERS MUTUAL BENEFIT ASSOCIATION, INC.
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, 2018

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 First-time Adopters			✔
	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			✔
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*			✔
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	✔		
PFRS 8	Operating Segments			✔
PFRS 9	Financial Instruments (2014)	✔		
	Amendments to PFRS 9: Prepayment Features with Negative Compensation* *(effective January 1, 2019)*			✔
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 indefinitely)*			✔
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception			✔

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PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✔		
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	✔		
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 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	✔		
PAS 17	Leases	✔		
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	✔		

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Framework for the Preparation and Presentation of Financial Statements		✓		
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 indefinitely)*			✓
	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			✓
	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	✓		
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			✓

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Framework for the Preparation and Presentation of Financial Statements		✓		
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 19	Extinguishing Financial Liabilities with Equity Instruments**	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine**			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Advance Consideration			✓
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 2018 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 covered in both years presented.