

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS



SEC Registration Number

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Company Name

N O V O E C I J A N O T E A C H E R S																			
M U T U A L B E N E F I T																			
A S S O C I A T I O N , I N C .																			

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

2 2 8 G A B A L D O N S T R E E T																			
S A N R O Q U E , C A B A N A T U A N C I T Y																			
N U E V A E C I J A																			

Form Type

A	A	F	S
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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's Email Address

netmbai@novo.com.ph

Company's Telephone Number/s

(044) 464 2063

Mobile Number

0917-5344057

No. of Stockholders

N/A

Annual Meeting (Month/Day)

Any date in March

Fiscal Year (Month/Day)

December 31

CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person

MARIA ELOISA DIMAGIBA

Email Address

eloi.dimagiba@yahoo.com

Telephone Number/s

7464-2063

Mobile Number

0917-5344057

CONTACT PERSON'S ADDRESS

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

- NOTE 1:** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.
- 2:** All Boxes must properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.





NOVO ECIJANO TEACHERS'
MUTUAL BENEFIT ASSOCIATION, INC.

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

The management of Novo Ecijano Teachers Mutual Benefit Association, Inc. is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2020 and 2019, 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 E. DIMAGIBA, JR.
President


RICARDO GABRIEL K. MANOTOC III
Chairman


ATTY. TOMAS F. LAHOM III
Treasurer





REPORT OF INDEPENDENT EXAMINATORS

The Board of Trustees and Members
Novo ECIJANO Teachers Mutual
Benefit Association, Inc.
6500 North 15th Street, Suite 100
Phoenix, Arizona 85018

2200 East Camelback Road, Suite 200
Phoenix, Arizona 85016

Report on the Audit of the Financial Statements

Financial Statements

Opinion

NOVO ECIJANO TEACHERS
MUTUAL BENEFIT ASSOCIATION, INC.

December 31, 2020 and 2019

In our opinion, the financial statements of Novo ECIJANO Teachers Mutual Benefit Association, Inc. for the years ended December 31, 2020 and 2019, and the financial performance and financial position for the year, when viewed in conjunction with Philippine Financial Reporting Standards (PFRS), are fairly presented in all material respects, the financial position of the Association as at December 31, 2020 and 2019, and the financial performance and financial position for the year, when viewed in conjunction with Philippine Financial Reporting Standards (PFRS), are fairly presented in all material respects.

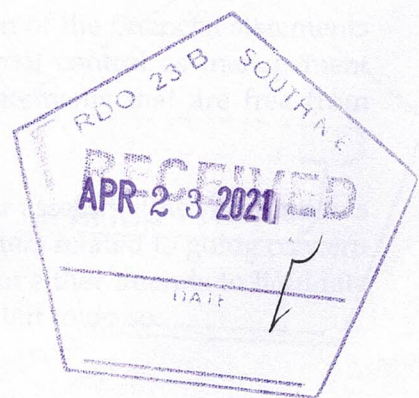
Reason for Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the Auditor's Responsibilities in 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 and the Philippine Financial Reporting Standards (PFRS), and we have fulfilled our other ethical responsibilities in accordance with those requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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



**REPORT OF INDEPENDENT AUDITORS**

The Board of Trustees and Members
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, 2020 and 2019, 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, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS) applicable to Mutual Benefits Associations (MBAs).

Basis for Opinion

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

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

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

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



Certified Public Accountants

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

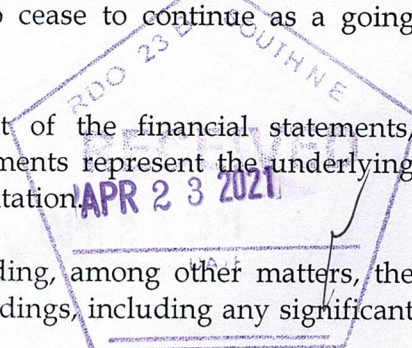
Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

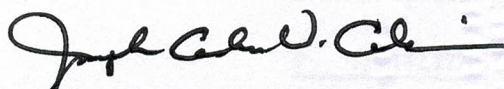




Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2020 required by the Bureau of Internal Revenue as disclosed in Note 27 of the financial statements is presented for purposes of additional analysis and is not a required part of financial statements prepared in accordance with PFRS applicable to MBAs. Such supplementary information is the responsibility of the management. The supplementary information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

AMC & ASSOCIATES



By: **Joseph Cedric V. Calica**

Partner

CPA Cert. No. 94541

TIN 163-257-226-000

PTR No. 8539845, Jan. 7, 2021, Makati City

BIR Accreditation No. 08-002582-1-2020

(Oct. 8, 2020 to Oct. 7, 2023)

SEC Accreditation No. 1805-A (Group A)

(Jan. 16, 2020 to Jan. 15, 2023)

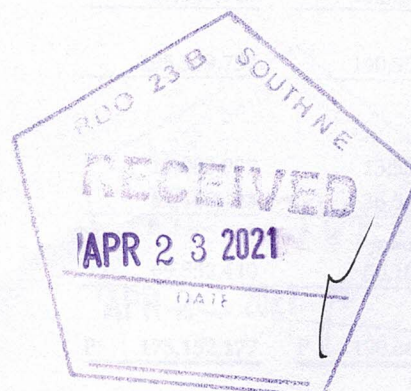
BSP Accreditation No. 94541-BSP (Group B)

(valid until Dec. 31, 2025)

IC Accreditation No. 94541-IC (Group A)

(valid until Dec. 31, 2024)

March 30, 2021



FIRM ACCREDITATION

Aquino, Mata, Calica & Associates

BOA Accreditation No. 4275 - valid until June 28, 2023

BIR Accreditation No. 08-002582-001-2020 - valid until October 7, 2023

SEC Accreditation No. 0390-F (Group A) - January 16, 2020 to January 15, 2023

IC Accreditation No. 4275-IC (Group A) - valid until December 31, 2024

BSP Accreditation No. 4275-BSP (Group B) - valid until December 31, 2025

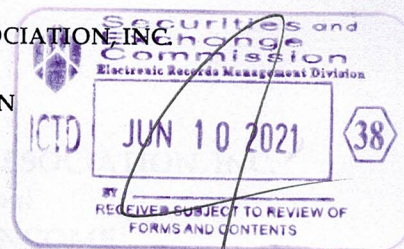
NOVO ECIJANO TEACHERS MUTUAL BENEFIT ASSOCIATION, INC.

(A Non-Stock, Non-Profit Association)

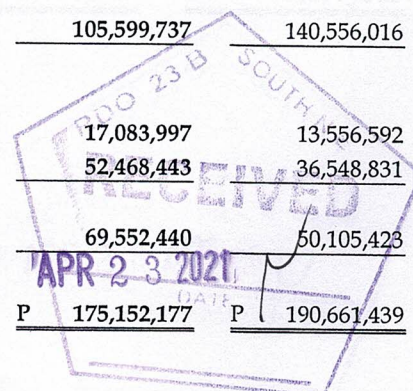
STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND 2019

(Amounts in Philippine Peso)



	2020	2019
<u>A S S E T S</u>		
CURRENT ASSETS		
Cash (Note 5)	P 6,008,767	P 7,087,766
Loans and other receivables (Note 6)	89,129,891	52,511,810
Other current assets (Note 7)	-	100
Total Current Assets	95,138,658	59,599,676
NON-CURRENT ASSETS		
Loans and other receivables (Note 6)	63,489,151	113,318,476
Financial asset at amortized cost (Note 8)	13,431,868	13,175,257
Property and equipment (Note 9)	2,299,756	3,649,087
Right-of-use assets (Note 10)	784,744	911,225
Other non-current assets (Note 10)	8,000	7,718
Total Non-current Assets	80,013,519	131,061,763
TOTAL ASSETS	P 175,152,177	P 190,661,439
<u>LIABILITIES AND FUND BALANCE</u>		
CURRENT LIABILITIES		
Accounts payable and other liabilities (Note 11)	P 926,140	P 993,634
Legal policy reserves (Note 12)	20,215,223	19,812,822
Members' deposits (Note 13)	18,574,970	17,254,421
Lease liabilities (Note 10)	333,456	277,345
Total Current Liabilities	40,049,789	38,338,222
NON-CURRENT LIABILITIES		
Accounts payable and other liabilities (Note 11)	13,471,557	13,128,774
Members' equity and contributions (Note 14)	51,557,266	88,406,689
Lease liabilities (Note 10)	521,125	682,331
Total Non-current Liabilities	65,549,948	102,217,794
Total Liabilities	105,599,737	140,556,016
FUND BALANCE		
Free and unassigned fund balance	17,083,997	13,556,592
Assigned fund balance (Note 18)	52,468,443	36,548,831
Total Fund Balance	69,552,440	50,105,423
TOTAL LIABILITIES AND FUND BALANCE	P 175,152,177	P 190,661,439



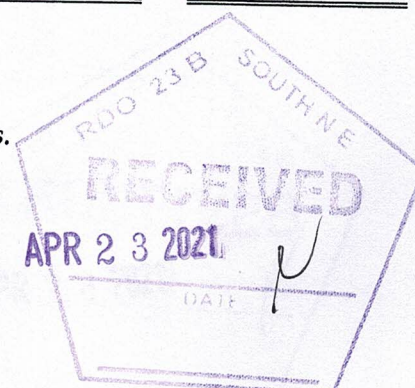
See Notes to Financial Statements.



NOVO ECIJANO TEACHERS MUTUAL BENEFIT ASSOCIATION, INC.
(A Non-Stock, Non-Profit Association)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Amounts in Philippine Peso)

	2020	2019
REVENUES		
Interest on:		
Loans (Note 6)	P 14,765,140	P 13,320,314
Deposits with banks (Notes 5 and 8)	258,007	344,005
Membership fees, dues and contributions (Note 14)	2,237,129	6,491,019
Service charges and fees (Note 6)	3,787,254	3,961,063
Others	5,437	10,064
	<u>21,052,967</u>	<u>24,126,465</u>
EXPENSES (Note 15)		
Operating expenses	13,140,000	11,297,208
Benefit expenses	4,077,348	9,061,216
	<u>17,217,348</u>	<u>20,358,424</u>
PROFIT BEFORE TAX	3,835,619	3,768,041
TAX EXPENSE (Note 17)	<u>51,602</u>	<u>68,801</u>
NET PROFIT	3,784,017	3,699,240
COMPREHENSIVE INCOME	<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME	<u>P 3,784,017</u>	<u>P 3,699,240</u>

See Notes to Financial Statements.

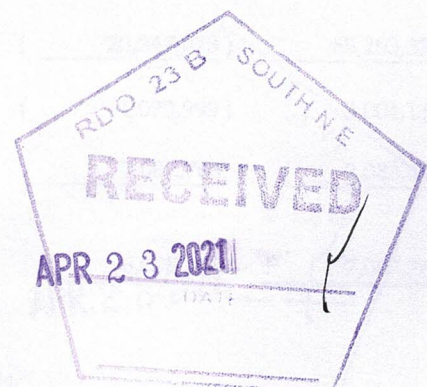




NOVO ECIJANO TEACHERS MUTUAL BENEFIT ASSOCIATION, INC.
 (A Non-Stock, Non-Profit Association)
 STATEMENTS OF CHANGES IN FUND BALANCE
 FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
 (Amounts in Philippine Peso)

	Free and Unassigned Fund Balance		Assigned Fund Balance		Total
Balance at January 1, 2020 (Note 18)	P	13,556,592	P	36,548,831	P 50,105,423
Transfer to assigned fund balance (Note 18)	(256,612		256,612	-
Contributions during the year (Note 18)		-		15,663,000	15,663,000
Total comprehensive income for the year		<u>3,784,017</u>		<u>-</u>	<u>3,784,017</u>
Balance at December 31, 2020 (Note 18)	P	<u>17,083,997</u>	P	<u>52,468,443</u>	P <u>69,552,440</u>
Balance at January 1, 2019 (Note 18)	P	10,295,371	P	36,110,812	P 46,406,183
Transfer to assigned fund balance (Note 18)	(438,019		438,019	-
Total comprehensive income for the year		<u>3,699,240</u>		<u>-</u>	<u>3,699,240</u>
Balance at December 31, 2019 (Note 18)	P	<u>13,556,592</u>	P	<u>36,548,831</u>	P <u>50,105,423</u>

See Notes to Financial Statements.

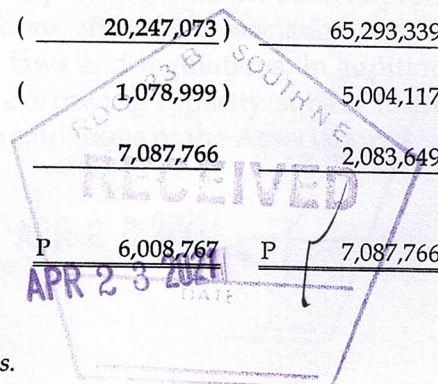




NOVO ECIJANO TEACHERS MUTUAL BENEFIT ASSOCIATION, INC.
(A Non-Stock, Non-Profit Association)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Amounts in Philippine Peso)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	P 3,835,619	P 3,768,041
Adjustments for:		
Depreciation (Note 9)	1,414,331	1,412,525
Impairment losses (Note 6)	955,921	290,670
Increase in legal policy reserves (Note 12)	402,401	5,073,663
Amortization of right-of-use asset (Note 10)	327,226	324,879
Interest on lease liabilities (Note 10)	75,359	93,172
Accretion of interest on security deposit (Note 10)	(282)	(272)
Interest income (Notes 5, 6, and 8)	(15,023,147)	(13,664,319)
Day 1 loss (Note 10)	-	554
Operating loss before working capital changes	(8,012,572)	(2,701,087)
Decrease (increase) in loans and other receivables	13,211,244	(71,467,877)
Decrease in other current assets	100	2,600
Increase in accounts payable and other liabilities	275,289	625,261
Cash generated from (used in) operations	5,474,061	(73,541,103)
Interest received (Note 6)	14,765,140	13,320,314
Cash paid for taxes (Note 17)	(51,602)	(68,801)
Net Cash From (Used In) Operating Activities	20,187,599	(60,289,590)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	(697,914)	53,335
Additions to financial asset at amortized cost (Note 8)	(256,611)	(44,967)
Acquisitions of property, plant and equipment (Note 9)	(65,000)	-
Additions to other non-current assets	-	(8,000)
Net Cash From (Used in) Investing Activities	(1,019,525)	368
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of funds from members (Note 18)	15,663,000	-
Additions to members' deposits (Note 13)	1,320,549	6,185,372
Interest paid on lease liabilities (Note 10)	(75,359)	(93,172)
Payments of lease liabilities (Note 10)	(305,840)	(276,428)
Additions to (payments of) members' equity and contributions	(36,849,423)	59,477,567
Net Cash From (Used in) Financing Activities	(20,247,073)	65,293,339
NET INCREASE (DECREASE) IN CASH	(1,078,999)	5,004,117
CASH AT BEGINNING OF YEAR	7,087,766	2,083,649
CASH AT END OF YEAR (Note 5)	P 6,008,767	P 7,087,766

See Notes to Financial Statements.





NOVO ECIJANO TEACHERS MUTUAL BENEFIT ASSOCIATION, INC.
(A Non-Stock, Non-Profit Association)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(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 the deposit with banks are subject to the final tax.

Approval of Financial Statements

The financial statements of the Association as at and for the year ended December 31, 2020 (including the comparative financial statements as at and for the year ended December 31, 2019) were authorized for issue by the Association's Board of Trustees (BOT) on March 30, 2021.

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.

APR 23 2021



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 is the prescribed framework for Association in the preparation of financial statements.

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

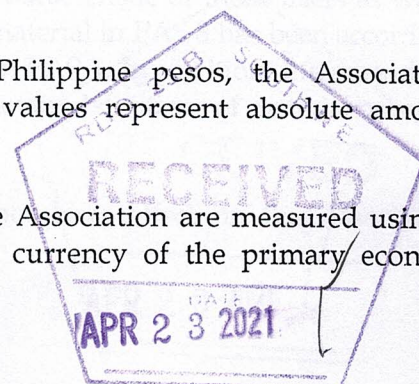
The financial statements are presented in accordance with the Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Association presents all items of income and expenses in a single statement of comprehensive income.

The Association presents the 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 have a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

c. Functional and Presentation Currency

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

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





Adoption of New and Amended to PFRS

a. Effective in 2020 that are Relevant to the Association

The Association adopted for the first time the following amendments to PAS or PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2020:

Conceptual Framework	:	Revised Conceptual Framework for Financial Reporting
PAS 1 and PAS 8 (Amendments)	:	Presentation of Financial Statements And Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material
PFRS 16 (Amendments)	:	Leases – Corona Virus Disease 2019 (COVID-19) - Related Rent Concessions

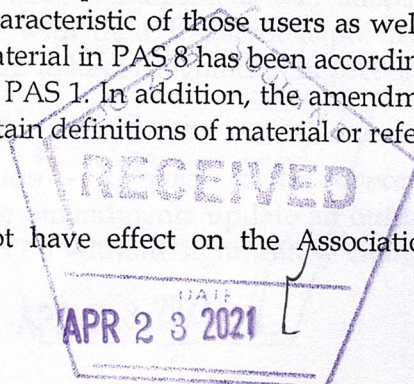
Discussed below and in the succeeding pages are the relevant information about these amendments to existing standards:

- i. *Revised Conceptual Framework for Financial Reporting.* The revised conceptual framework will be used in standard-setting decisions with immediate effect. Key changes include (a) increasing the prominence of stewardship in the objective of financial reporting, (b) reinstating prudence as a component of neutrality, (c) defining a reporting entity, which may be a legal entity, or a portion of an entity, (d) revising the definitions of an asset and a liability, (e) removing the probability threshold for recognition and adding guidance on derecognition, (f) adding guidance on different measurement basis, and, (g) stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

The application of the revised conceptual framework had no significant impact on the Association's financial statements.

- ii. PAS 1 (Amendments), *Presentation of Financial Statements* and PAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*. The amendments provide a clearer definition of 'material' in PAS 1 by including the concept of 'obscuring' material information with immaterial information as part of the new definition and clarifying the assessment threshold (i.e., misstatement of information is material if it could reasonably be expected to influence decisions made by primary users, which consider the characteristic of those users as well as the entity's circumstances). The definition of material in PAS 8 has been accordingly replaced by a reference to the new definition in PAS 1. In addition, the amendment has also been made in other Standards that contain definitions of material or refer to the term 'material' to ensure consistency.

The application of these amendments do not have effect on the Association's financial statements.





iii. PFRS 16 (Amendments), *Leases – COVID-19 Related Rent Concessions*. The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID 19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID 19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID 19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendments are effective for annual reporting years beginning on or after June 1, 2020. Early adoption is permitted.

The Association adopted the amendments beginning January 1, 2020 and the amendments have no material impact to the financial statements.

b. *Effective in 2020 that are not Relevant to the Association*

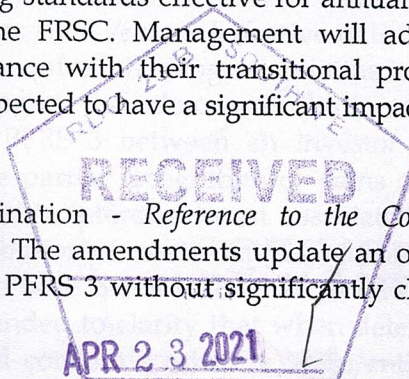
The following PFRS amendments to existing standards are mandatorily effective for annual periods beginning on or after January 1, 2020 but are not relevant to the Association's financial statements:

PFRS 3 (Amendments)	:	Business Combinations – Definition of a Business
PFRS 7 and PFRS 9 (Amendments)	:	Financial Instruments: Disclosures and Financial Instruments - Interest Rate Benchmark Reform

c. *Effective Subsequent to 2020 but not Adopted Early*

There are new PFRS and amendments to existing standards effective for annual periods subsequent to 2020, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have a significant impact on the Association's financial statements.

- i. PFRS 3 (Amendments), *Business Combination – Reference to the Conceptual Framework* (effective from January 1, 2022). The amendments update an outdated reference to the Conceptual Framework in PFRS 3 without significantly changing the requirements in the standard.



- ii. PAS 16 (Amendments), *Property, Plant and Equipment - Proceeds Before Intended Use* (effective from January 1, 2022). The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.
- iii. PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract* (effective January 1, 2022). The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).
- iv. Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2022, are relevant to the Association:
- PFRS 9 (Amendments), *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Liabilities*. The improvements clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.
 - Illustrative Examples Accompanying PFRS 16, *Leases - Lease Incentives*. The improvement merely removes from the example the illustration of the reimbursement of leasehold improvements by lessor in order to resolve any potential confusion regarding the treatment of lease incentives.
- v. PAS 1 (Amendments), *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current* (effective January 1, 2023). The amendments aim to promote consistency in applying the requirements by helping entities determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.
- vi. PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures - Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendments to PFRS 10 require full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3 between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale or contribution of assets that do not constitute a business. Corresponding amendments have been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.



- vii. PFRS 17, Insurance Contracts (effective January 1, 2023). The new standard will eventually replace PFRS 4, Insurance Contracts. The Insurance Commission (IC), through its Circular Letter 2018-69, has deferred the implementation of PFRS 17 for life insurance and non-life insurance industry. PFRS 17 will set out the principles for the recognition, measurement, presentation and disclosure of insurance contracts within its scope.

This new standard requires a current measurement model where estimates are remeasured in each reporting period. Moreover, contracts are measured using the building blocks of:

- discounted probability-weighted cash flows;
- an explicit risk adjustment; and,
- a contractual service margin (CSM) representing the unearned profit of the contract which is recognized as revenue over the coverage period.

PFRS 17 further allows a choice between recognizing changes in discount rates either in the statement of income or directly in other comprehensive income. The choice is likely to reflect how insurers account for financial assets under PFRS 9.

In addition, the standard provides an optional, simplified premium allocation approach for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

A modification of the general measurement model called the variable fee approach is also introduced by PFRS 17 for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model.

Financial Instruments

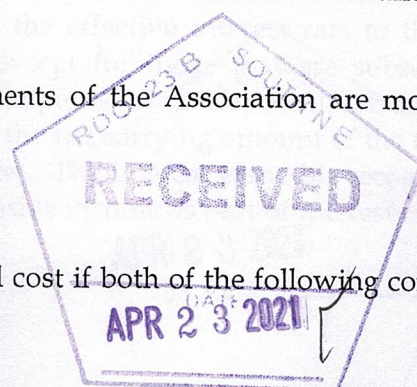
a. Financial Assets

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.

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

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 of Cash, Loans and other receivables and Financial Asset at amortized cost in the statements of financial position.

Cash includes 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 an 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.

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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 the Surplus free account, except for those debt securities classified as FVOCI wherein cumulative fair value gains or losses are recycled to profit or loss.

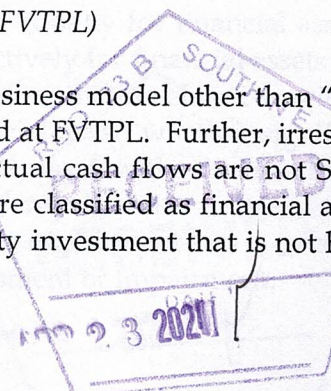
Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the 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 represent the recovery of a part of the cost of the investment.

As at December 31, 2020 and 2019, 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 of comprehensive income.

As at December 31, 2020 and 2019, 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.

b. *Impairment of Financial Assets*

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: the significant financial difficulty of the issuer or debtor; a breach of contracts, 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 an 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 a 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.

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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 has 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 a significant increase in credit risk since initial recognition : lifetime ECL.

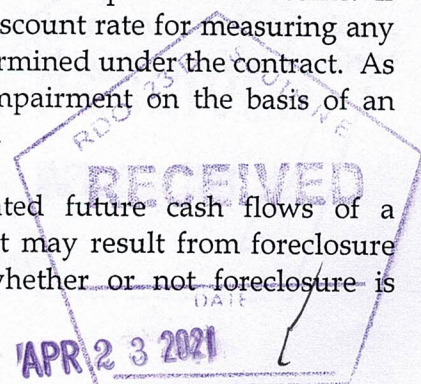
Stage 3 - Credit exposures with objective evidence of impairment, thus, considered as "non-performing" : lifetime ECL.

In 12-month ECL, the Association considers reasonable and supportable information, including forward-looking information that affects 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 evaluates the change in the risk of a 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 default, this should not be primarily used in measuring the risk of default or in transferring to different stages. The Association measures 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.

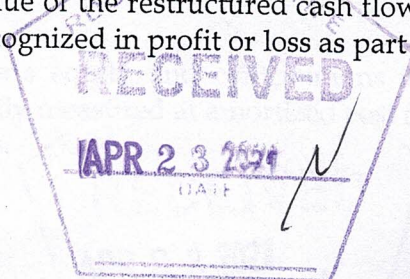
Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Association and historical loss experience for assets with credit risk characteristics similar to those in the Association. Historical 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 the 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 those 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.





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.

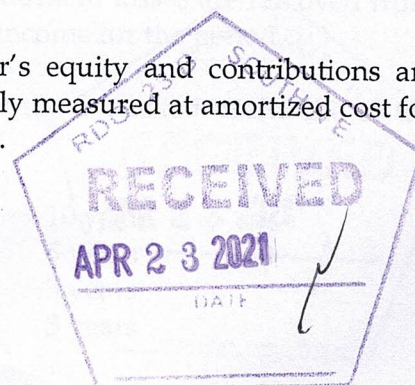
e. *Financial Liabilities*

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 and other liabilities, (excluding tax payables and post-employment benefit obligation), lease liabilities, 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' deposits are recognized initially at fair value, which is the issue proceeds (fair value of the consideration received).

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





Lease liabilities are measured initially at the present value of the lease payments unpaid and subsequently, the liabilities will be reduced for payments made and increased for interest. At the lease commencement date, the Association recognizes a right-of-use asset and a lease liability in the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Association, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). Subsequently, the Association depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Association also assesses the right-of-use asset for impairment when such indicators exist.

Legal policy reserves are recognized at fair value which is the 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-offs 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 the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

Property and Equipment

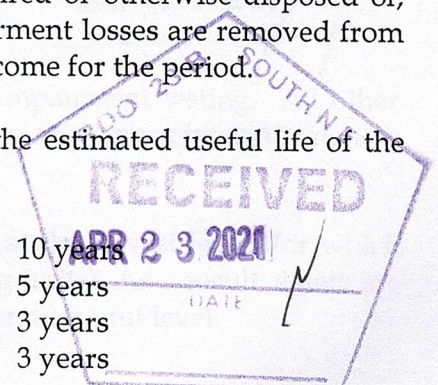
Property and equipment are carried at acquisition or construction cost less accumulated depreciation and any impairment in value.

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
Transportation equipment
Office equipment
Furniture and fixtures

10 years
5 years
3 years
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.

Security Deposits

Security deposits pertain to refundable deposits paid for the lease agreements with various lessors, at the inception of the lease, for the lease of the Association. These will be refunded after all valid claims have been cleared at the end of the lease term or termination of the lease agreement.

Security deposits are initially recorded at fair value plus directly attributable transactions costs. After initial measurement, security deposits are subsequently carried at amortized cost using the effective interest method (EIR), less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are integral part of the EIR. Short-term deposits with no stated interest rates are held at invoice amounts when the effect of discounting is immaterial, less any allowance for impairment.

The losses arising from impairment are included in the statement of comprehensive income. Gains and losses are recognized in the statement of comprehensive income when the security deposits are derecognized or impaired, as well as through the amortization process.

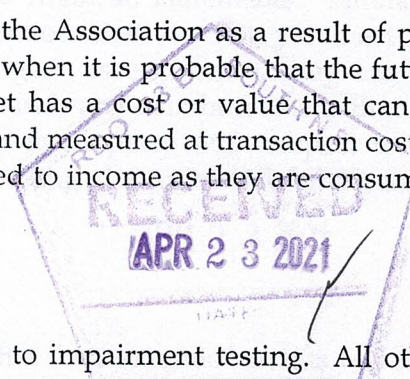
Other Current Assets

This account pertains to other resources controlled by the Association as a result of past events. They are recognized in the financial statements when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably. Other current assets are recognized and measured at transaction cost or the amount of cash paid. Subsequently, these are charged to income as they are consumed in operations or expire over time.

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

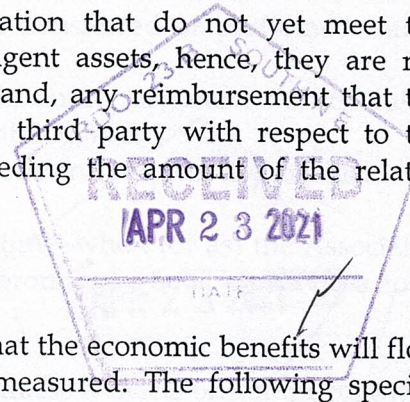
Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has 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 the time value of money is material, long-term provisions are discounted to their present values using a pre-tax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

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, they 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.

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 a 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 for the goods and services is probable.

Revenue is recognized either at a point in time or overtime, 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 was 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.

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 the projected unit credit method (*see also Note 4*).

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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

For any new contracts entered into on or after January 1, 2019, the Association considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Association assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Association;
- the Association has the right to obtain substantially all of the economic benefits from the use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,
- the Association has the right to direct the use of the identified asset throughout the period of use. The Association assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At the lease commencement date, the Association recognizes a right-of-use asset and a lease liability in the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Association, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). Subsequently, the Association depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Association also assesses the right-of-use asset for impairment when such indicators exist.

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On the other hand, the Association measures the lease liability at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or the Association's incremental borrowing rate. Lease payments include fixed payments (including in-substance fixed) less lease incentives receivable, if any, variable lease payments based on an index or rate', amounts expected to be payable under a residual value guarantee", and payments arising from options (either renewal or termination) reasonably certain to be exercised. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero. The Association has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset, and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term. On the statement of financial position, right-of-use assets and lease liabilities have been presented separately from property, plant and equipment and other liabilities, respectively.'

Income Taxes

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

Fund Balance

Assigned fund balance comprises of the appropriation transferred from undistributed earnings.

Free and unassigned fund balances include 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 of 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 the 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 has the most significant effect on the amounts recognized in the financial statements:

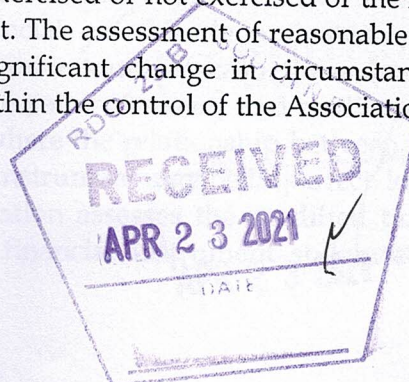
a. Determination of Lease Term of Contracts with Removal and Termination Options

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease term is reasonably certain to be extended or not terminated.

For leases of offices, the factors that are normally the most relevant are (a) if their significant penalties should the Association pre-terminate the contract, and (b) if any leasehold improvements are expected to have a significant meaning value, the Association is reasonably certain to extend and not to terminate the lease contract. Otherwise, the Association considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The Association includes the renewal period as part of the lease term for leases of offices due to the significance of these assets to its operations. These leases have short, non-cancellable lease periods (i.e., four to ten years) and there will be a significant negative effect on production if a replacement is not readily available.

The lease term is reassessed if an option is exercised or not exercised or the Association becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Association.





b. Application of ECL on Financial Assets at Amortized Cost

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 the origination of the financial instrument, in such case, a lifetime ECL for the instrument is recognized.

The Association has established a policy to perform an 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 a default occurring over the remaining life of the financial instrument. Details about the ECL on the Association's loan and other receivables are disclosed in Notes 3 and 6.

c. Evaluation of Business Model Applied in Managing Financial Instruments

The Association manages its financial assets based on business models that maintain an 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 that reflect how it manages its portfolio of financial instruments. The Association's business models need not be assessed at the 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 the 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 relating to the Association's investment strategies.

d. Testing the Cash Flows Characteristics of Financial Assets and Continuing Evaluation of the Business Model

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 the 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 the 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 the 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.

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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 the 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 the 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 much 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 necessarily 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.

e. Determination of Timing of Satisfaction of Performance Obligations

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 19.

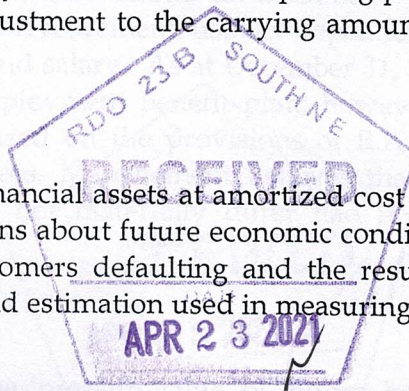
Key Sources of Estimation Uncertainty

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

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about future economic conditions and credit behavior (e.g., the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 6.

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 6.





b. *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 22.

c. *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, 2020 and 2019, there is no change in the 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.

d. *Impairment of Non-financial Assets*

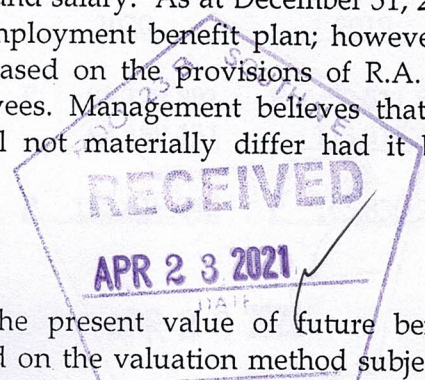
PFRS requires that an impairment review be performed when certain impairment indications are present. The Association's policy on estimating the impairment of non-financial assets is discussed in detail in Note 3. Though management believes that the assumptions used in the estimation of fair values reflected 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.

e. *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, 2020, 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 16).

f. *Valuation of Legal Policy Reserves*

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





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

5. CASH

This account comprises of the following:

	<u>2020</u>	<u>2019</u>
Cash in banks	P 5,988,767	P 7,067,766
Petty cash fund	<u>20,000</u>	<u>20,000</u>
	<u>P 6,008,767</u>	<u>P 7,087,766</u>

Cash in banks generally earns interest at rates based on daily banks deposit rates. The interest earned in cash in banks amounted to P22,414 in 2020 and P7,618 in 2019 and are presented as part of the interest on deposits with banks in the statements of comprehensive income.

6. LOANS AND OTHER RECEIVABLES

The details of this account are shown below:

	<u>2020</u>	<u>2019</u>
Consumption loans	P 171,503,064	P 176,241,182
Other receivables:		
Unremitted members contributions	237,450	235,935
Accrued interest receivable	70,246	138,383
Members' contribution due and uncollected	34,950	708,108
Accounts receivable	<u>-</u>	<u>7,842,774</u>
	171,845,710	185,166,382
Unearned interest income	(13,727,481)	(13,604,594)
Allowance for impairment losses	<u>(5,499,187)</u>	<u>(5,731,502)</u>
	<u>P 152,619,042</u>	<u>P 165,830,286</u>

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

	<u>2020</u>	<u>2019</u>
Current	P 89,129,891	P 52,511,810
Non-current	<u>63,489,151</u>	<u>113,318,476</u>
	<u>P 152,619,042</u>	<u>P 165,830,286</u>

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

	2020			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amounts as at January 1, 2020	P 184,769,837	P 1,535	P 395,010	P 185,166,382
New assets originated	471,285,372	-	-	471,285,372
Assets derecognized or prepaid	(483,417,808)	-	-	(483,417,808)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	(780)	780	-
Transfer to Stage 3	(75,582)	(755)	76,337	-
Amounts written-off	(1,188,236)	-	-	(1,188,236)

Gross carrying amounts as December 31, 2020	<u>P 171,373,583</u>	<u>P -</u>	<u>P 472,127</u>	<u>P 171,845,710</u>
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	2020			
	Stage 1	Stage 2	Stage 3	Total
ECL allowance as at January 1, 2020	P 5,283,114	P 743	P 447,645	P 5,731,502
Provision for credit losses	470,980	-	484,941	955,921
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	(245)	245	-
Transfer to Stage 3	(23,459)	(498)	23,957	-
Amounts written-off	(1,188,236)	-	-	(1,188,236)

ECL allowance as at December 31, 2020	<u>P 4,542,399</u>	<u>P -</u>	<u>P 956,788</u>	<u>P 5,499,187</u>
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	2019			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amounts as at January 1, 2019	P 111,475,055	P 5,829	P 336,729	P 111,817,613
New assets originated	337,545,212	-	-	337,545,212
Assets derecognized or prepaid	(263,716,536)	-	-	(263,716,536)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	(2,402)	2,402	-
Transfer to Stage 3	(53,987)	(1,892)	55,879	-
Amounts written-off	(479,907)	-	-	(479,907)

Gross carrying amounts as December 31, 2019	<u>P 184,769,837</u>	<u>P 1,535</u>	<u>P 395,010</u>	<u>P 185,166,382</u>
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ECL allowance as at January 1, 2019	P 5,586,328	P 1,457	P 332,954	P 5,920,739
Provision for (recovery) of credit losses	189,237	-	101,433	290,670
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	(125)	125	-
Transfer to Stage 3	(12,544)	(589)	13,133	-
Amounts written-off	(479,907)	-	-	(479,907)

ECL allowance as at December 31, 2019	<u>P 5,283,114</u>	<u>P 743</u>	<u>P 447,645</u>	<u>P 5,731,502</u>
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The Association grants loans ranging from P1,000 to P1,000,000 with-term ranging from two to three years and bears an annual effective interest of 4% in 2020 and 2019. 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 P14,765,140 and P13,320,314 in 2020 and 2019, respectively. The Association's consumption amounted to P1,188,236 and P479,907 was written-off in 2020 and 2019, respectively.

The Association collects service fees of 6% on every loan granted. The service fees recognized amounted to P3,787,254 in 2020 and P3,961,063 in 2019 and are presented as part of Service charges and fees in the statements of comprehensive income.

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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's Members' contribution due and uncollected amounted to P676,197 was written-off in 2020.

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.

7. OTHER CURRENT ASSETS

This account consists of unused supplies amounted to nil and P100 as at December 31, 2020 and 2019 respectively.

8. FINANCIAL ASSET AT AMORTIZED COST

Financial asset at amortized cost amounted to P13,431,868 in 2020 and P13,175,257 in 2019 is a deposit placement with a local bank bearing an annual effective interest ranging from 0.5% to 1.0% in 2020 and 2019. The interest earned on deposit placement amounted to P235,593 in 2020 and P336,387 in 2019 and are presented as part of Interest on deposits with banks in the statements of comprehensive income.

The investment was set aside in compliance with the Association's registration as a mutual benefit association.

9. PROPERTY AND EQUIPMENT

The gross carrying amounts and the accumulated depreciation at the beginning and end of 2020 and 2019 are shown below:

	Office Equipment	Furniture and Fixtures	Building	Total
December 31, 2020,				
Cost	P 1,355,983	P 938,330	P 14,125,252	P 16,419,565
Accumulated depreciation	(1,292,752)	(938,304)	(11,888,753)	(14,119,809)
Net carrying amount	<u>P 63,231</u>	<u>P 26</u>	<u>P 2,236,499</u>	<u>P 2,299,756</u>
December 31, 2019,				
Cost	P 1,290,983	P 938,330	P 14,125,252	P 16,354,565
Accumulated depreciation	(1,290,946)	(938,304)	(10,476,228)	(12,705,478)
Net carrying amount	<u>P 37</u>	<u>P 26</u>	<u>P 3,649,024</u>	<u>P 3,649,087</u>

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A reconciliation of the carrying amounts at the beginning and end of 2020 and 2019, of property and equipment is shown below:

	Office Equipment	Furniture and Fixtures	Building	Total
Balance at January 1, 2020, net of accumulated depreciation	P 37	P 26	P 3,649,024	P 3,649,087
Additions	65,000	-	-	65,000
Depreciation for the year (see Note 15)	(1,806)	-	(1,412,525)	(1,414,331)
Balance at December 31, 2020 net accumulated depreciation	<u>P 63,231</u>	<u>P 26</u>	<u>P 2,236,499</u>	<u>P 2,299,756</u>
Balance at January 1, 2019, net of accumulated depreciation	P 37	P 26	P 5,061,549	P 5,061,612
Disposal	-	-	-	-
Accumulated depreciation disposal	-	-	-	-
Depreciation for the year (see Note 15)	-	-	(1,412,525)	(1,412,525)
Balance at December 31, 2019 net accumulated depreciation	<u>P 37</u>	<u>P 26</u>	<u>P 3,649,024</u>	<u>P 3,649,087</u>

The building with a net carrying value of P2,236,499 as at December 31, 2020 and P3,649,024 as at December 31, 2019 was acquired under installment (see Note 11).

As at December 31, 2020 and 2019, 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 2020 and 2019. The management believes that no impairment loss should be recognized in 2020 and 2019.

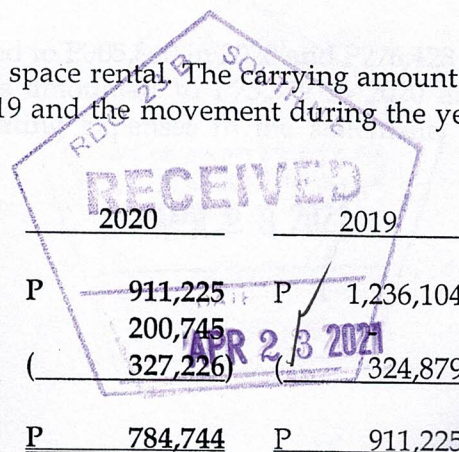
10. LEASES

The Association leases a certain office for its operation. Each lease generally imposes a restriction that, unless there is a contractual right for the Association to sublet it to another party, the right-of-use asset can only be used by the Association. The number of right-of-use of asset being leased by the Association is two units and the remaining term of those assets is two to five years.

Right-of-use Assets

The Association's right of use assets pertain to office space rental. The carrying amount of right-of-use of asset as at December 31, 2020 and 2019 and the movement during the year are shown below:

	2020	2019
Balance at beginning of year	P 911,225	P 1,236,104
Addition during the year	200,745	-
Amortization (see Note 15)	(327,226)	(324,879)
Balance at end of year	<u>P 784,744</u>	<u>P 911,225</u>





Lease Liabilities

The lease liabilities are presented in the statements of financial position as at December 31, 2020 and 2019 is as follows:

	2020	2019
Current	P 333,456	P 277,345
Non-current	<u>521,125</u>	<u>682,331</u>
	<u>P 854,581</u>	<u>P 959,676</u>

As at December 31, 2020, the Association had committed to leases which had not commenced. The total future cash outflows for the lease that had not yet commenced amounted to P955,400.

The undiscounted maturity analysis of lease liabilities as at December 31, 2020 is as follows:

	Within 1 year	1 to 2 years	2 to 3 years	Total
Lease payment	P 393,800	P 365,600	P 196,000	P 955,400
Finance charges	(60,343)	(32,679)	(7,797)	(100,819)
Net present value	<u>P 333,457</u>	<u>P 332,921</u>	<u>P 188,203</u>	<u>P 854,581</u>

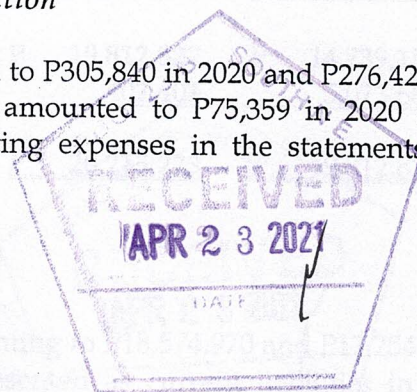
Security Deposits

The carrying amount security deposits which presented under non-current asset in the statements of financial position as at December 31, 2020 and 2019 is as follows:

	2020	2019
Balance at beginning of year	P 7,718	P 8,000
Day 1 loss (see Note 15)	-	(554)
Accretion of interest	<u>282</u>	<u>272</u>
Balance at end of year	<u>P 8,000</u>	<u>P 7,718</u>

Additional Profit and Loss and Cash Outflow Information

The total cash outflow with respect to leases amounted to P305,840 in 2020 and P276,428 in 2019. Interest expense in relation to lease liabilities amounted to P75,359 in 2020 and P93,172 in 2019 and is presented as part of Operating expenses in the statements of comprehensive income (see Note 15).





11. ACCOUNTS PAYABLE AND OTHER LIABILITIES

This account consists of:

	<u>2020</u>	<u>2019</u>
Accounts payable	P 10,657,650	P 10,608,632
Retirement benefit obligation (see Note 16)	3,312,226	2,969,443
Management and other professional fees payable	241,290	305,370
Others	<u>186,531</u>	<u>238,963</u>
	<u>P 14,397,697</u>	<u>P 14,122,408</u>

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

	<u>2020</u>	<u>2019</u>
Current	P 926,140	P 993,634
Non-current	<u>13,471,557</u>	<u>13,128,774</u>
	<u>P 14,397,697</u>	<u>P 14,122,408</u>

Accounts payable includes the cost of building under contract to sell (CTS) with the developer which is initially recorded at the present value of the installment payments. The outstanding balance of this payable amounted to P10,159,331 as at December 31, 2020 and 2019.

12. LEGAL POLICY RESERVES

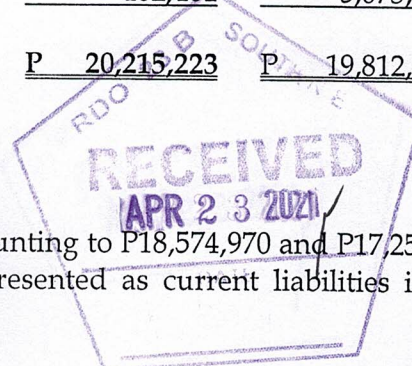
This account represents the amount set-up by the Association to cover future benefit payments to members based on the amounts recommended by an independent actuary accredited by the Insurance Commission. In 2019, its actuarial report was dated May 26, 2020, respectively.

The movement in the legal policy reserves is presented below:

	<u>2020</u>	<u>2019</u>
Balance at beginning of year	P 19,812,822	P 14,739,159
Increase during the year	<u>402,401</u>	<u>5,073,663</u>
Balance at end of year	<u>P 20,215,223</u>	<u>P 19,812,822</u>

13. MEMBERS' DEPOSITS

This account is composed of members' deposits amounting to P18,574,970 and P17,254,421 as at December 31, 2020 and 2019, respectively, presented as current liabilities in the statements of financial position.





14. MEMBERS' EQUITY AND CONTRIBUTIONS

The Association collects P100 as an initial membership fee to be eligible as a member in the Association. The total initial membership fees amounted to P563,500 and P569,200 in 2020 and 2019, respectively, are presented as part of contributions under the Members' equity and contributions under the non-current liabilities section in the statements of financial position. The total contributions amounted to P51,557,266 in 2020 and P88,406,689 in 2019. As at December 31, 2020 and 2019, the Association has a total of 5,635 and 5,692 members, respectively.

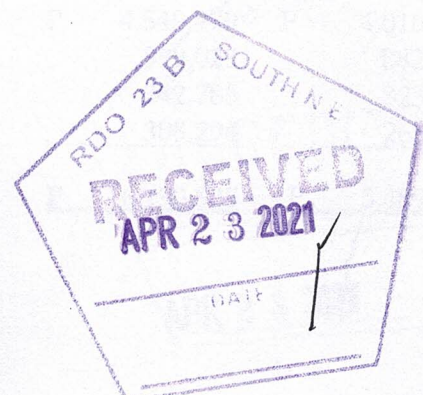
A member shall pay P250 monthly contributions which shall be allocated as follows:

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

The Association 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 the 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 P2,237,129 and P6,491,019 in 2020 and 2019, respectively.





15. EXPENSES

The details of these accounts are shown below:

	2020	2019
Salaries and employee benefits (see Note 16)	P 6,190,585	P 5,489,737
Professional fees	1,442,039	1,705,873
Depreciation (see Note 9)	1,414,331	1,412,525
Impairment losses (see Note 6)	955,921	290,670
Increase in legal policy reserves	402,401	5,073,662
Amortization of right-of-use asset (see Note 10)	327,226	324,879
Communication and utilities	274,692	237,637
Security	254,852	261,880
Taxes and licenses (see Note 27)	224,349	171,463
Interest on lease liabilities	75,359	93,172
Office supplies	70,555	34,715
Transportation and travel	26,287	22,006
Repairs and maintenance	23,774	23,132
Rentals	17,860	-
Day 1 loss (see Note 10)	-	554
Others	5,517,117	5,216,519
	<u>P 17,217,348</u>	<u>P 20,358,424</u>

Others are composed of interest rebates on loans, interest on members' deposit, and other miscellaneous expenses of the Association.

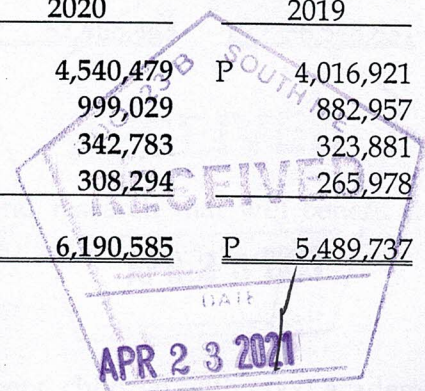
These expenses are presented in the statements of comprehensive income as follows:

	2020	2019
Operating expenses	P 13,140,000	P 11,297,208
Benefit expenses	4,077,348	9,061,216
	<u>P 17,217,348</u>	<u>P 20,358,424</u>

16. EMPLOYEES' BENEFITS

Expenses recognized for salaries and employee benefits are presented below:

	2020	2019
Salaries and wages	P 4,540,479	P 4,016,921
Employees' welfare and benefits	999,029	882,957
Retirement benefits	342,783	323,881
Social security costs	308,294	265,978
	<u>P 6,190,585</u>	<u>P 5,489,737</u>





The Association was not able to obtain an actuarial valuation of its retirement benefit expense for 2020 and 2019 and the corresponding retirement benefit obligations as at December 31, 2020 and 2019, 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 P3,312,226 and P2,969,443 as at December 31, 2020 and 2019 respectively, included as part of Accounts payable and other liabilities account (*see Note 11*).

17. 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 P51,602 in 2020 and P68,801 in 2019.

18. FUND BALANCE

Assigned Fund Balance

This account consists of the following:

	<u>2020</u>	<u>2019</u>
Community, research and development	P 13,348,020	P 13,348,020
Guaranty fund	13,431,869	13,175,257
Members' education & scholarship	22,337,010	6,674,010
Improving system and equipment	<u>3,351,544</u>	<u>3,351,544</u>
	<u>P 52,468,443</u>	<u>P 36,548,831</u>

The reconciliation of assigned fund balance is presented below:

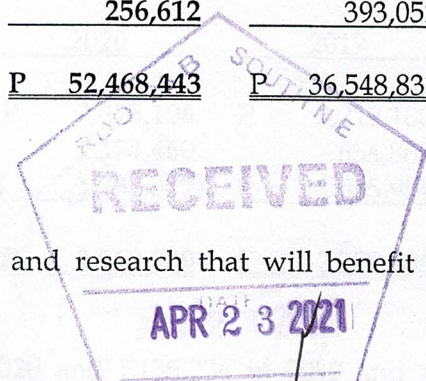
	<u>2020</u>	<u>2019</u>
Balance at beginning of year	P 36,548,831	P 36,110,812
Additional reserves during the year	15,663,000	44,967
Transfer to unassigned fund balance	<u>256,612</u>	<u>393,052</u>
Balance at end of year	<u>P 52,468,443</u>	<u>P 36,548,831</u>

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 operate.

Fund Assigned for Member's Educational and Scholarship

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

19. COMMITMENTS AND CONTINGENCIES

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 at December 31, 2020 and 2019, management believes that losses, if any, that may arise from these commitments and contingencies will not have a material effect on the Association's financial statements.

20. RELATED PARTY TRANSACTIONS AND RELATIONSHIP

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

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

	2020			2019		Terms and Condition
	Amount of Transactions	Outstanding Balance		Amount of Transactions	Outstanding Balance	
Key management and employees						
Loans receivable	(P 64,117)	P 2,763,989	P	3,219,180	P 2,828,106	
Interest on loans	181,240	-		135,234	-	
Compensation	4,540,479	-		4,016,921	-	

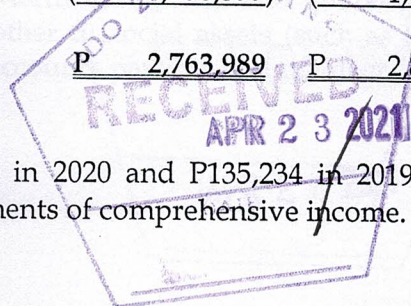
Loans and Receivables with Related Parties

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 2020 and 2019, the Association's outstanding loans to related parties amounted to P2,763,989 and P2,828,106, respectively, and are shown as part of Loans and other receivables account in the statements of financial position (see Note 6).

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

	2020	2019
Balance at beginning of year	P 2,828,106	P 3,219,180
Releases during the year	1,174,460	654,880
Collections during the year	(1,238,577)	(1,045,954)
Balance at end of year	P 2,763,989	P 2,828,106

Interest income on these amounted to P181,240 in 2020 and P135,234 in 2019 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:

	<u>2020</u>	<u>2019</u>
Salaries and wages	P 2,119,848	P 1,910,360
Retirement benefits	2,345,592	323,881
Employees' benefits	783,120	582,399
Social security costs	<u>192,852</u>	<u>183,491</u>
	<u>P 5,441,412</u>	<u>P 3,000,131</u>

Key management includes the general manager and president of the Association.

21. RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

Market Risk

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

a. Foreign Currency Sensitivity

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

b. Interest Rate Sensitivity

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

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The sensitivity of the net result for the year to a reasonably 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 are 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 is 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 risks.

Credit Risk

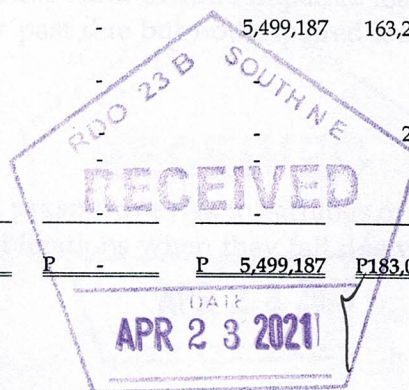
Credit risk is the risk that counterparty fails to discharge an obligation to the Association. The Association is exposed to this risk for various financial instruments, for example by granting loans and receivables to borrowers, placing deposits and investment in bonds.

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:

	2020	2019
Cash	P 5,988,767	P 7,067,766
Financial asset at amortized cost	13,431,868	13,175,257
Loans and other receivables	<u>152,619,042</u>	<u>165,830,286</u>
	<u>P 172,039,677</u>	<u>P 186,073,309</u>

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

	2020					
	Neither Past Due Nor Impaired			Past Due		
	High Grade	Standard Grade	Substandard Grade	But Not Impaired	Impaired	Total
Cash	P 5,988,767	P -	P -	P -	P -	P 5,988,767
Financial asset at amortized cost	13,431,868	-	-	-	-	13,431,868
Loans and receivables:						
Consumption	157,775,583	-	-	-	5,499,187	163,274,770
Members' contribution due and uncollected	34,950	-	-	-	-	34,950
Unremitted members contributions	237,450	-	-	-	-	237,450
Accounts receivable	-	-	-	-	-	-
Accrued interest receivable	70,246	-	-	-	-	70,246
	<u>P177,538,864</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P 5,499,187</u>	<u>P183,038,051</u>





	2019					
	Neither Past Due Nor Impaired			Past Due		Total
	High Grade	Standard Grade	Substandard Grade	But Not Impaired	Impaired	
Cash	P 7,067,766	P -	P -	P -	P -	P 7,067,766
Financial asset at amortized cost	13,175,257	-	-	-	-	13,175,257
Loans and receivables:						
Consumption	156,905,086	-	-	-	5,731,502	162,636,588
Members' contribution due and uncollected	708,108	-	-	-	-	708,108
Unremitted members contributions	235,935	-	-	-	-	235,935
Accounts receivable	7,842,774	-	-	-	-	7,842,774
Accrued interest receivable	138,383	-	-	-	-	138,383
	<u>P186,073,309</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P 5,731,502</u>	<u>P191,804,811</u>

Under PFRS, a financial asset is past due when the counterparty has failed to make a payment when contractually due. As at December 31, 2020 and 2019, the Association does not have past due but not impaired. Further, the Association provides collectively allowance for impairment losses of P5,499,187 and P5,731,502 as at December 31, 2020 and 2019, respectively (see Note 6).

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 that 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*

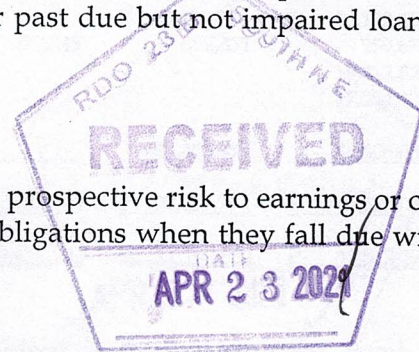
Standard grade loans are neither past due nor impaired with partially secured loan status. These are receivables where collections are probable due to the reputation and the financial ability of the counterparty to pay but with the experience of default.

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 that 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:

		2020				
		<u>On Demand</u>	<u>Less than 3 Months</u>	<u>3 to 12 Months</u>	<u>Over 1 Year</u>	<u>Total</u>
Financial assets:						
Cash	P	5,988,767	P -	P -	P -	P 5,988,767
Financial asset at amortized cost		-	-	-	13,431,868	13,431,868
Loans and other receivables		<u>13,026,539</u>	<u>25,367,784</u>	<u>50,735,568</u>	<u>63,489,151</u>	<u>152,619,042</u>
	<u>P</u>	<u>19,015,306</u>	<u>P 25,367,784</u>	<u>P 64,167,436</u>	<u>P 63,489,151</u>	<u>P 172,039,677</u>
Financial liabilities:						
Accounts payable and other liabilities	P	926,140	P -	P -	P 13,471,557	P 14,397,697
Lease liabilities		-	-	333,456	521,125	854,581
Legal policy reserves		20,215,223	-	-	-	20,215,223
Members' deposits		18,574,970	-	-	-	18,574,970
Members' equity and contributions		<u>-</u>	<u>-</u>	<u>-</u>	<u>51,557,266</u>	<u>51,557,266</u>
	<u>P</u>	<u>39,716,333</u>	<u>P -</u>	<u>P 333,456</u>	<u>P 65,549,948</u>	<u>P 105,599,737</u>
Cumulative gap		<u>(P 20,701,027)</u>	<u>P 25,367,784</u>	<u>P 63,833,980</u>	<u>(P 2,060,797)</u>	<u>P 66,439,940</u>
		2019				
		<u>On Demand</u>	<u>Less than 3 Months</u>	<u>3 to 12 Months</u>	<u>Over 1 Year</u>	<u>Total</u>
Financial assets:						
Cash	P	7,067,766	P -	P -	P -	P 7,067,766
Financial asset at amortized cost		-	-	-	13,175,257	13,175,257
Loans and other receivables		<u>10,096,975</u>	<u>14,901,245</u>	<u>27,513,590</u>	<u>113,318,476</u>	<u>165,830,286</u>
	<u>P</u>	<u>17,164,741</u>	<u>P 14,901,245</u>	<u>P 40,688,847</u>	<u>P 113,318,476</u>	<u>P 186,073,309</u>
Financial liabilities:						
Accounts payable and other liabilities	P	993,634	P -	P -	P 13,128,774	P 14,122,408
Lease liabilities		-	-	277,345	682,331	959,676
Legal policy reserves		19,812,822	-	-	-	19,812,822
Members' deposits		17,254,421	-	-	-	17,254,421
Members' equity and contributions		<u>-</u>	<u>-</u>	<u>-</u>	<u>88,406,689</u>	<u>88,406,689</u>
	<u>P</u>	<u>38,060,877</u>	<u>P -</u>	<u>P 277,345</u>	<u>P 102,217,794</u>	<u>P 140,556,016</u>
Cumulative gap		<u>(P 20,896,136)</u>	<u>P 14,901,245</u>	<u>P 40,411,502</u>	<u>P 11,100,682</u>	<u>P 45,517,293</u>

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

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22. 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 at December 31, 2020 and 2019:

	2020		2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
<i>Financial Assets</i>				
Cash	P 6,008,767	P 6,008,767	P 7,087,766	P 7,087,766
Financial asset at amortized cost	13,431,868	13,431,868	13,175,257	13,175,257
Loans and receivable	<u>152,619,042</u>	<u>152,619,042</u>	<u>165,830,286</u>	<u>165,830,286</u>
	<u>P 172,059,677</u>	<u>P 172,059,677</u>	<u>P 186,093,309</u>	<u>P 186,093,309</u>
<i>Financial Liabilities</i>				
Accounts payable and other liabilities	P 14,397,697	P 14,397,697	P 14,122,408	P 14,122,408
Lease liabilities	854,581	854,581	959,676	959,676
Legal policy reserves	20,215,223	20,215,223	19,812,822	19,812,822
Members' deposits	18,574,970	18,574,970	17,254,421	17,254,421
Members' equity and contributions	<u>51,557,266</u>	<u>51,557,266</u>	<u>88,406,689</u>	<u>88,406,689</u>
	<u>P 105,599,737</u>	<u>P 105,599,737</u>	<u>P 140,556,016</u>	<u>P 140,556,016</u>

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

i. *Cash in banks*

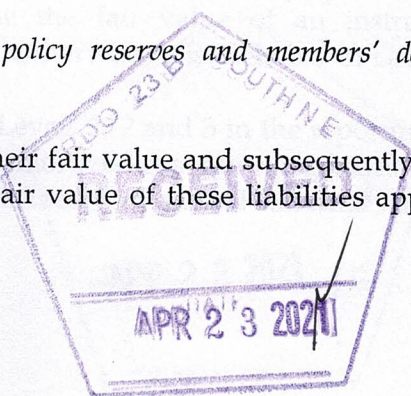
The carrying amounts approximate fair values given the short-term nature of the instruments.

ii. *Loans and other receivables and Financial Asset at Amortized Cost*

Loans and other receivables and financial asset at amortized cost are net of impairment losses. The estimated fair value of loans and receivables and financial asset at amortized cost 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.





iv. Lease liabilities

The lease liabilities measures initially at the present value of the lease payments unpaid and subsequently the liabilities will be reduced for payments made and increased for interest.

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).

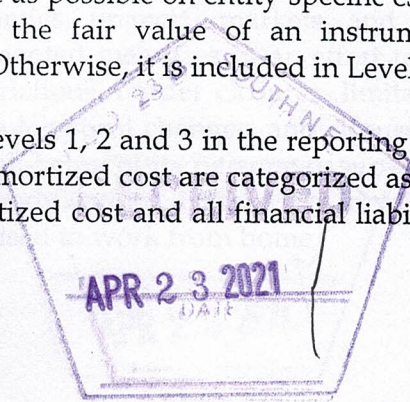
The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement. There have been no significant transfers among Levels 1, 2 and 3 in the reporting periods.

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 a valuation technique, it maximizes the use of observable market data where it is available and relies 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 financial asset at amortized cost are categorized as Level 1. Loans and receivables and financial asset at amortized cost and all financial liabilities are categorized as Level 3.





23. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

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

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

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

	<u>2020</u>	<u>2019</u>
Total liabilities	P 105,599,737	P 140,556,016
Total equity	<u>69,552,440</u>	<u>50,105,423</u>
Debt-to-equity ratio	<u>1.52:1.00</u>	<u>2.80:1.00</u>

24. NON-ADMITTED ASSETS AND LIABILITIES

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

	<u>2020</u>	<u>2019</u>
Property and equipment	P 2,299,756	P 3,649,087
Accrued interest receivable	<u>70,246</u>	<u>138,383</u>
	<u>P 2,370,002</u>	<u>P 3,787,470</u>

25. IMPACT OF 2019 NOVEL CORONA VIRUS (COVID-19)

In March 2020, the World Health Organization declared the outbreak of COVID-19 to be a pandemic. The COVID-19 pandemic is having widespread, rapidly evolving, and unpredictable impacts on global society, economies, financial markets, and business practices. The Philippine government has implemented measures in an effort to contain the virus, including social distancing, travel restrictions, border closures, limitations on public gatherings, work from home, supply chain logistical changes, and closure of non-essential businesses. To protect the health and well-being of its personnel, suppliers, and customers, the Association has made substantial modifications to employee travel policies, implemented office closures as employees are advised to work from home.





On March 4, 2020, Republic Act (RA) No. 11469 otherwise known as the "Bayanihan to Heal As One Act" was signed into law. The said RA No. 11469 mandated all other financial institutions to comply with Section 4 (aa) to implement a 30-day grace period to all loans with principal and/or interest falling due within the Enhanced Community Quarantine (ECQ) period, without incurring interest, penalties, fees and other charges. The 30-day grace period shall apply to each loan of individuals and entities with multiple loans.

Further, the "Bayanihan to Recover as One Act", also known as Bayanihan 2, and officially designated as R.A. No. 11494 was enacted in September 2020. Relative to this R.A, the Association is required to comply with Section 4(uu) of R.A. No. 11494 to implement a mandatory one-time 60-day grace period to all loans that are existing, current and outstanding falling due, or any part thereof, on or before December 31, 2020. The mandatory one-time 60-day grace period shall apply to each loan of individuals and entities with multiple loans, without incurring interest on interests, penalties, fees and other charges and thereby extending the maturity of said loans. The parties may agree for a grace period longer than 60 days.

There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19 as well as its impact on the global economy. Nevertheless, the Association's business and results of operations has not been significantly affected by the COVID-19 pandemic as the Association operates in foster brotherhood, mutual help and encourage the habit of thrift and savings among its members and provide financial assistance to beneficiary or beneficiaries of deceased members upon death of a member. The Association will strictly follow various government policies and advice and, in parallel, and will do utmost to continue the operations in the best and safest way possible without jeopardizing the health of personnel. Management believes that the Association will continue as a going concern despite the effects of the pandemic.

26. OTHER INFORMATION REQUIRED BY THE SECURITIES AND EXCHANGE COMMISSION

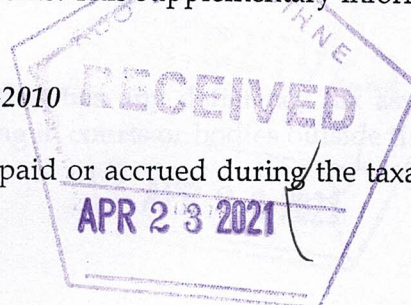
Republic Act (RA) No. 11232, *An Act Providing for the Revised Corporation Code of the Philippines* (the Revised Corporation Code) took effect on March 8, 2019. The new provisions of the Revised Corporation Code or any amendments thereof have no significant impact on the Association's financial statements.

27. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Presented below and in succeeding pages, are the supplementary information which are required by the Bureau of Internal Revenue (BIR) under its existing revenue regulation to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS for MBAs.

Requirements under Revenue Regulations (RR) 15-2010

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





a. *Output Value-added Tax (VAT)*

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

b. *Input VAT*

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

c. *Tax on Importation*

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

d. *Excise Tax*

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

e. *Documentary Stamp Tax*

The Association did not incur any documentary stamp tax for the year 2020.

f. *Taxes and Licenses*

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

Municipal license and permits	P	149,092
Insurance commission filing and license fee		20,200
Annual registration		500
Others		<u>54,557</u>
	P	<u>224,349</u>

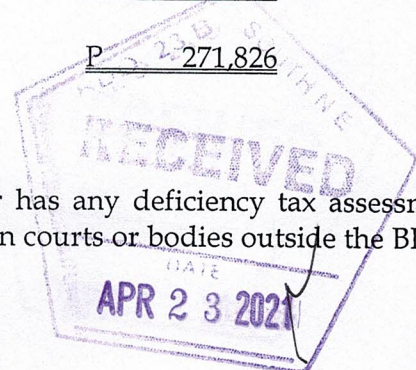
g. *Withholding Taxes*

The details of total withholding taxes for the year ended December 31, 2020 are shown below:

Compensation	P	247,246
Expanded		<u>24,580</u>
	P	<u>271,826</u>

h. *Deficiency Tax Assessment and Tax Case*

As at December 31, 2020, the Association neither has any deficiency tax assessment with the BIR nor tax case outstanding or pending in courts or bodies outside the BIR in any of the open years.





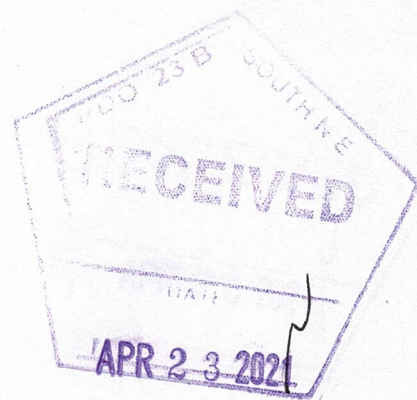
Requirements under Revenue Regulations (RR) 34-2020

On December 18, 2020, the BIR issued RR 34-2020 which prescribes the guidelines and procedures for the submission of BIR Form No. 1709, Transfer Pricing Documentation (TPD) and other supporting documents. As at December 31, 2020, the Company is not covered by the requirements and procedures for related party transactions provided under this RR.

The Board of Directors and Members
New Era Teachers Mutual Benefit Association, Inc.
12 New Era, Non-Profit Association
228 Calibugan, San Roque
Cebu City, Cebu

We have audited in accordance with Philippine Standards on Auditing, the financial statements of New Era Teachers Mutual Benefit Association, Inc. 12 New Era, Non-Profit Association, for the year ended December 31, 2020, in which we have reviewed the report dated March 10, 2021. 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, 2020, are presented for purposes of additional analysis in compliance with the requirements of Revenue Regulation (RR) 34-2020, and are not required parts of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards (PFRS) applicable to Mutual Benefit Associations (MBAs).

1. NETA Form 1 - Statement of Financial Position/Schedules to the Audited Financial Statements as of December 31, 2020
2. NETA Form 2 - Affidavit of Willingness to be Audited by the Commission
3. NETA Form 3 - Schedule of Receipts or Expense or Sources of Funds Other than Contributions and Donations
4. NETA Form 4 - Schedule of Contributions and Donations; and
5. NETA Form 5 - Schedule of Standards and Interpretations





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

The Board of Trustees and Members

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, 2020, on which we have rendered our report dated March 30, 2021. 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, 2020 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 (PFRS) applicable to Mutual Benefit Associations (MBAs):

1. NSPO Form 1 - Sworn Statement Documents/Schedules to the Audited Financial Statements as of December 31, 2020;
2. NSPO Form 2 - Affidavit of Willingness to be Audited by the Commission;
3. NSPO Form 3 - Schedule of Receipts or Income or Sources of Funds Other Than Contributions and Donations;
4. NSPO Form 4 - Schedule of Contributions and Donations; and,
5. Tabular Schedule of Standards and Interpretations





Certified Public Accountants

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

AMC & ASSOCIATES

A handwritten signature in black ink, appearing to read "Joseph Cedric V. Calica".

By: **Joseph Cedric V. Calica**

Partner

CPA Cert. No. 94541

TIN 163-257-226-000

PTR No. 8539845, Jan. 7, 2021, Makati City

BIR Accreditation No. 08-002582-1-2020

(Oct. 8, 2020 to Oct. 7, 2023)

SEC Accreditation No. 1805-A (Group A)

(Jan. 16, 2020 to Jan. 15, 2023)

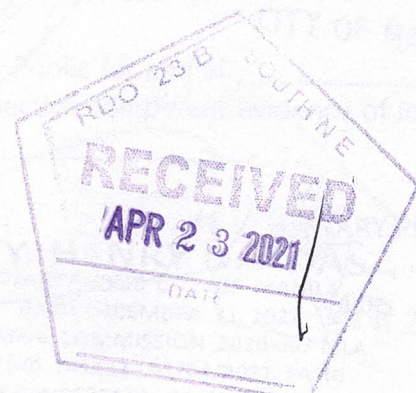
BSP Accreditation No. 94541-BSP (Group B)

(valid until Dec. 31, 2025)

IC Accreditation No. 94541-IC (Group A)

(valid until Dec. 31, 2024)

March 30, 2021



FIRM ACCREDITATION

Aquino, Mata, Calica & Associates

BOA Accreditation No. 4275 - valid until June 28, 2023

BIR Accreditation No. 08-002582-001-2020 - valid until October 7, 2023

SEC Accreditation No. 0390-F (Group A) - January 16, 2020 to January 15, 2023

IC Accreditation No. 4275-IC (Group A) - valid until December 31, 2024

BSP Accreditation No. 4275-BSP (Group B) - valid until December 31, 2025

SWORN STATEMENT



We, **Fortunato L. Dimagiba, Jr.** and **Atty. Tomas F. Lahom III**, President and Treasurer, respectively, of **Novo Ecijano Teachers' Mutual Benefit Association, Inc.**, with address at **228 Gabaldon St., San Roque, Cabanatuan City, Nueva Ecija** hereby depose and state that:

In compliance with the Revised SRC Rule 68, we are stating the following information that related to the preceding calendar year 2020, to wit:

Documents/Schedules to the Audited Financial Statements as of December 31, 2020	NSPO Forms	Check if Applicable
1. Affidavit of Willingness to be Audited by the Commission	NSPO Form-2	
2. Schedule of Receipts or Income or Sources of Funds Other Than Contributions and Donations	NSPO Form-3	
3. Schedule of Contributions and Donations	NSPO Form-4	
4. Schedule of Application of Funds	NSPO Form-5	
5. Certificate of Existence of Program/Activity (COEP)		
6. COEP issued by Heads/Officers of private institution or actual beneficiaries/recipients of the program/activity shall be allowed in lieu of COEP issued by the government offices/entities		

We hereby certify that this Sworn Statement with duly attached documents/schedules is executed to attest to the truth of the foregoing and for whatever legal purpose it may serve.

In witness thereof, we have hereunto affixed our signature this 19 APR 2021 day of CITY OF MANILA, Philippines.

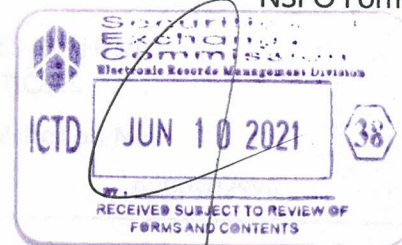
Fortunato L. Dimagiba, Jr.
FORTUNATO L. DIMAGIBA, JR.
President

Atty. Tomas F. Lahom III
ATTY. TOMAS F. LAHOM, III
Treasurer

Subscribed and sworn to before me, a Notary Public for and in CITY OF MANILA City, on 19 APR 2021 affiants personally, exhibiting their respective competent evidence of Identification Card _____ issued at _____ issued on _____.

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Page No. 30
Book No. 111
Series of 2021

Atty. Henry D. Adash
NOTARY PUBLIC
CITY OF MANILA
UNTIL DECEMBER 31, 2021
NOTARIAL COMMISSION 2020-037 MLA
IBP NO. 141253 - 01/04/2021, PASIG
PTR NO. 9826148 - 01/01/2021 MLA
ROLL NO. 29679, TIN: 172-528-620
MCLE COMPL. NO. VH-0000165
URBAN DECA HOMES MANILA, B-2, UNIT 355



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

AFFIDAVIT OF WILLINGNESS TO BE AUDITED BY THE COMMISSION

I, **Atty. Tomas F. Lahom III**, of legal age, Filipino and resident of **228 Gabaldon St., San Roque, Cabanatuan City, Nueva Ecija**, after having been sworn to in accordance with law hereby depose and state:

I am the Treasurer/Chief Finance Officer of **Novo Ecijano Teachers Mutual Benefit Association, Inc.**, a non-stock, non-profit organization registered with the Securities and Exchange Commission.

That I, as authorized by the Board of Trustees of the Association, hereby manifest its willingness to be audited by the Commission upon its Order and Authority for the purpose of determining compliance of the corporation with existing laws and regulations.

That this affidavit is executed to attest to the truth of the foregoing and for whatever legal purpose and intent it may serve.

In witness whereof, I hereby sign this affidavit this 19 APR 2021 day of 2021, at CITY OF MANILA.

Atty. Tomas F. Lahom III
 Affiant

(Signature over Printed Name)

19 APR 2021

SUBSCRIBED AND SWORN to before me this _____, affiant exhibiting to me his _____ issued on _____ at _____ as competent evidence of identity.

Doc No. 91
 Page No. 20
 Book No. 11
 Series of 2021

ATTY. HENRY D. ADASA
 NOTARY PUBLIC CITY OF MANILA
 UNTIL DECEMBER 31, 2021
 NOTARIAL COMMISSION 2020-APRILA
 IBP NO. 141253 - 01/04/2021, PASIG
 PTR NO. 9826148 - 01/01/2021 MLA
 ROLL NO. 29679, TIN: 172-528-620
 MCLE COMPL. NO. VII-0000165
 URBAN DECA HOMES MANILA, B-2, UNIT 359

SCHEDULE OF RECEIPTS OR INCOME OR SOURCES OF FUNDS OTHER THAN CONTRIBUTIONS AND DONATIONS

Name of Foundation/Organization:

SEC Registration No.

NOVO ECIJANO TEACHERS' MUTUAL BENEFIT ASSOCIATION, INC.

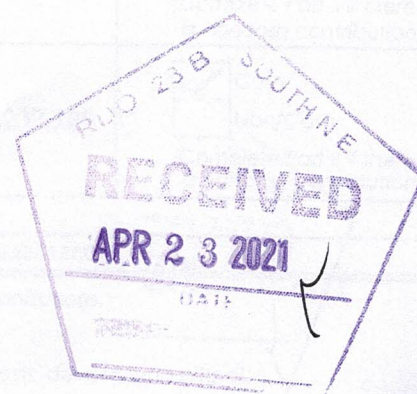
A200102996

For the Year Ended

December 31, 2020

Receipts or Income or Sources of Funds

(d) No.	(b) Description of Income	(c) Source	(d) Amount (indicate by footnote if other than Philippine currency, then translate in this column	(e) Date received/ Covered	Period
1	Interest on loans	Members	P 14,765,140.00	December 31, 2020	
2	Interest in banks	Banks	P 258,007.00	December 31, 2020	
3	Service charges and fees	Members	P 3,787,254.00	December 31, 2020	
	Others (aggregate of all sources of income which are individually below P100,000.00)	Members	P 5,437.00	December 31, 2020	



SCHEDULE OF CONTRIBUTIONS AND DONATIONS (PART I)

Name of Foundation/Organization:

SEC Registration No.

NOVO ECIJANO TEACHERS' MUTUAL BENEFIT ASSOCIATION, INC.

A200102996

For the Year Ended

December 31, 2020

Part I. Contributors/Donors²

(a) No.	(b) Name and Address	(c) Nationality ³	(d) Total Contributions	(e) Type of Contribution ⁴
1				<input type="checkbox"/> Cash <input type="checkbox"/> Non/Cash (Complete Part II if there is a noncash contribution)
2				<input type="checkbox"/> Cash <input type="checkbox"/> Non/Cash (Complete Part II if there is a noncash contribution)
3				<input type="checkbox"/> Cash <input type="checkbox"/> Non/Cash (Complete Part II if there is a noncash contribution)
4				<input type="checkbox"/> Cash <input type="checkbox"/> Non/Cash (Complete Part II if there is a noncash contribution)
5				<input type="checkbox"/> Cash <input type="checkbox"/> Non/Cash (Complete Part II if there is a noncash contribution)
6				<input type="checkbox"/> Cash <input type="checkbox"/> Non/Cash (Complete Part II if there is a noncash contribution)
7				<input type="checkbox"/> Cash <input type="checkbox"/> Non/Cash (Complete Part II if there is a noncash contribution)
8				<input type="checkbox"/> Cash <input type="checkbox"/> Non/Cash (Complete Part II if there is a noncash contribution)
9				<input type="checkbox"/> Cash <input type="checkbox"/> Non/Cash (Complete Part II if there is a noncash contribution)
10	Other (aggregate of all contributions which are individually below P100,000.00) - by nationality		P 2,237,129	<input checked="" type="checkbox"/> Cash <input type="checkbox"/> Non/Cash (Complete Part II if there is a noncash contribution)

(Use separate sheet if necessary)

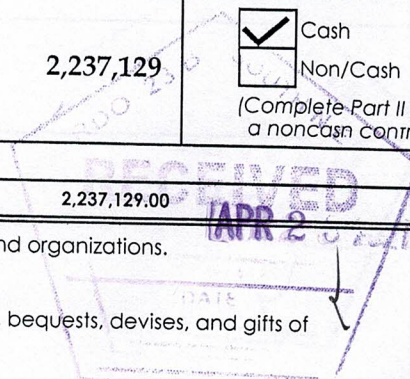
TOTAL CONTRIBUTIONS/DONATIONS

2,237,129.00

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.



SCHEDULE OF CONTRIBUTIONS AND DONATIONS (PART II)

Name of Foundation/Organization:

SEC Registration No.

NOVO ECIJANO TEACHERS' MUTUAL BENEFIT ASSOCIATION, INC.

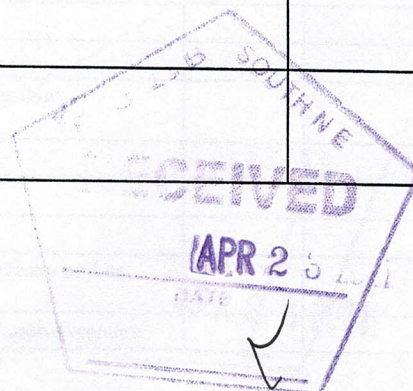
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For the Year Ended

December 31, 2020

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	No noncash property contributions and /or donations received in 2020.		
2			
3			
4			
5			
6			
7			
8			
9			
10			





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, 2020

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				✓
<i>Philippine Financial Reporting Standards (PFRS)</i>				
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, <i>Financial Instruments</i> , with PFRS 4, <i>Insurance Contracts</i>			✓
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			✓



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, 2020

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			



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, 2020

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
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			✓
<i>Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)</i>				
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			✓



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, 2020

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
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)			✓
<i>Philippine Interpretations - Standing Interpretations Committee (SIC)</i>				
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 2019 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.



COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC 100-100-100-100-100

APR 20 2021

Company Name

NOVO SCOTIAN EXCHANGERS

MUTUAL BENEFIT

ASSOCIATION, INC.

Address (Street, City, Province)

100 CABALLO DRIVE

ST. JOHN'S

ST. JOHN'S

ST. JOHN'S

File Type

Company Name

Company Name

COMPANY INFORMATION

Company's Telephone Number

Company's Fax Number

Company's E-mail Address

Company's Website

Company's Address

Company's City

Company's Province

Company's Country

CONTACT PERSON INFORMATION

Contact Person's Name

Contact Person's Title

Contact Person's Telephone Number

Contact Person's Fax Number

Contact Person's E-mail Address

Contact Person's Website

CONTACT PERSON'S ADDRESS

UNIT 100 PLAZA 100 CHININGO, BANGAL, MANILA

