SECURITIES AND EXCHANGE COMMISSION
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Company Information

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COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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Company Name

NOVO ECIJANO TEACHERS
MUTUAL BENEFIT
ASSOCIATION, INC.

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

228 GABALDON STREET
SAN ROQUE, CABANATUAN CITY
NUEVA ECIJA

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
netmbai@novo.com.ph	(044) 464 2063	0917-5344057

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

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
MARIA ELOISA DIMAGIBA	eloi.dimagiba@yahoo.com	7464-2063	0917-5344057

CONTACT PERSON'S ADDRESS

UNIT 324-325 AVIDA CITYFLEX TOWER, 7TH AVENUE, CORNER LANE T, BGC TAGUIG

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

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

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, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

FORTUNATO L. DIMAGIBA, JR.
President

RICARDO GABRIEL K. MANOTOC III
Chairman

ATTY. TOMAS F. LAHOM III
Treasurer

Signed this 31st day of March 2023

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JUSTINE RALPH M. PORTUGAL
Revenue Officer
Date:

228 Gabaldon Street, Brgy. San Roque, Cabanatuan City, Nueva Ecija • Tel. Nos. (044) 463-9112 / (044) 464-2063
• Email Address: netmbai@gmail.com

Financial Statements

NOVO ECIJANO TEACHERS MUTUAL BENEFIT ASSOCIATION, INC.

December 31, 2022 and 2021

AMC & Associates

Certified Public Accountants

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, 2022 and 2021, 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, 2022 and 2021, 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.

AMC & ASSOCIATES

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.

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AMC & ASSOCIATES

Certified Public Accountants

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, 2022 required by the Bureau of Internal Revenue as disclosed in Note 25 of the financial statements is presented for purposes of additional analysis and is not a required part of financial statements prepared in accordance with PFRS 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. 9566559, Jan. 3, 2023, Makati City
BIR Accreditation No. 08-002582-1-2020
(Oct. 8, 2020 to Oct. 7, 2023)
SEC Accreditation No. 94541-SEC (Group A)
(valid until 2022 audit period)
IC Accreditation No. 94541-IC (Group A)
(valid until Dec. 31, 2024)
BSP Accreditation No. 94541-BSP (Group B)
(valid until Dec. 31, 2025)

March 31, 2023

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NOVO ECIJANO TEACHERS MUTUAL BENEFIT ASSOCIATION, INC.
(A Non-Stock, Non-Profit Association)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021
(Amounts in Philippine Peso)

		2022		2021
ASSETS				
CURRENT ASSETS				
Cash *(Note 5)*	P	9,328,442	P	8,246,476
Loans and other receivables *(Note 6)*		69,795,327		88,608,017
Financial assets at amortized cost *(Note 7)*		12,743,820		12,617,148
Total Current Assets		91,867,589		109,471,641
NON-CURRENT ASSETS				
Loans and other receivables *(Note 6)*		79,551,845		91,188,413
Property and equipment *(Note 8)*		49,822		865,565
Right-of-use assets *(Note 9)*		447,221		452,825
Other non-current assets		10,000		8,000
Total Non-current Assets		80,058,888		92,514,803
TOTAL ASSETS	P	171,926,477	P	201,986,444
LIABILITIES AND FUND BALANCE				
CURRENT LIABILITIES				
Accounts payable and other liabilities *(Note 10)*	P	1,385,319	P	2,106,348
Legal policy reserves *(Note 11)*		20,498,551		20,615,471
Members' deposits *(Note 12)*		12,410,753		18,774,272
Current portion of lease liabilities *(Note 9)*		289,684		332,921
Total Current Liabilities		34,584,307		41,829,012
NON-CURRENT LIABILITIES				
Accounts payable and other liabilities *(Note 10)*		3,398,255		3,363,000
Members' equity and contributions *(Note 13)*		58,478,918		84,330,759
Lease liabilities, net of current portion *(Note 9)*		200,603		188,203
Total Non-current Liabilities		62,077,776		87,881,962
Total Liabilities		96,662,083		129,710,974
FUND BALANCE				
Assigned fund balance *(Note 17)*		51,780,395		51,653,722
Free and unassigned fund balance		23,483,999		20,621,748
Total Fund Balance		75,264,394		72,275,470
TOTAL LIABILITIES AND FUND BALANCE	P	171,926,477	P	201,986,444

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, 2022 AND 2021
(Amounts in Philippine Peso)

		2022		2021
REVENUES				
Interest on:				
Loans *(Note 6)*	P	8,520,094	P	9,289,257
Financial asset at amortized cost *(Note 7)*		256,563		116,304
Deposits with banks *(Notes 5)*		4,538		21,085
Membership fees, dues and contributions *(Note 13)*		1,263,481		1,868,701
Service charges and fees *(Note 6)*		7,094,260		5,212,785
Others		132,122		7,416
		17,271,058		16,515,548
EXPENSES *(Note 14)*				
Operating expenses		6,121,239		8,267,947
Benefit expenses		8,108,675		5,497,093
		14,229,914		13,765,040
PROFIT BEFORE TAX		3,041,144		2,750,508
TAX EXPENSE *(Note 16)*		52,220		27,478
NET PROFIT		2,988,924		2,723,030
COMPREHENSIVE INCOME		-		-
TOTAL COMPREHENSIVE INCOME	P	2,988,924	P	2,723,030

See Notes to Financial Statements.

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NOVO ECIJANO TEACHERS MUTUAL BENEFIT ASSOCIATION, INC.
(A Non-Stock, Non-Profit Association)
STATEMENTS OF CHANGES IN FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Amounts in Philippine Peso)

	Assigned Fund Balance	Free and Unassigned Fund Balance	Total
Balance at January 1, 2022 *(Note 17)*	P 51,653,722	P 20,621,748	P 72,275,470
Transfer to assigned fund balance *(Note 17)*	126,673	(126,673)	-
Total comprehensive income for the year	-	2,988,924	2,988,924
Balance at December 31, 2022 *(Note 17)*	P 51,780,395	P 23,483,999	P 75,264,394
Balance at January 1, 2021 *(Note 17)*	P 52,468,443	P 17,083,997	P 69,552,440
Transfer to unassigned fund balance *(Note 17)*	(814,721)	814,721	-
Total comprehensive income for the year	-	2,723,030	2,723,030
Balance at December 31, 2021 *(Note 17)*	P 51,653,722	P 20,621,748	P 72,275,470

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, 2022 AND 2021
(Amounts in Philippine Peso)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	P 3,041,144	2,750,508
Adjustments for:		
Depreciation *(Note 8)*	852,233	1,434,191
Impairment losses *(Note 6)*	525,410	363,468
Amortization of right-of-use asset *(Note 9)*	335,069	331,919
Interest on lease liabilities *(Note 9)*	45,297	60,344
Increase (decrease) in legal policy reserves *(Note 11)*	(116,920)	400,248
Interest income *(Notes 5, 6, and 7)*	(8,781,195)	(9,426,646)
Operating loss before working capital changes	(4,098,962)	(4,085,968)
Decrease (increase) in loans and other receivables	30,449,258	(27,177,388)
Increase (decrease) in members' deposits	(6,363,519)	199,302
Increase in other non-current assets	(2,000)	-
Decrease in accounts payable and other liabilities	(685,774)	(8,928,349)
Cash generated from (used in) operations	19,299,003	(39,992,403)
Interest received *(Note 6)*	8,520,094	9,289,257
Cash paid for taxes *(Note 16)*	(52,220)	(27,478)
Net Cash From (Used In) Operating Activities	27,766,877	(30,730,624)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from short-term investments	-	8,391,059
Interest received	(264,309)	(226,079)
Additions to financial assets at amortized cost *(Note 7)*	(126,672)	(7,576,339)
Acquisitions of property and equipment *(Note 8)*	(36,490)	-
Net Cash From (Used in) Investing Activities	(427,471)	588,641
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid on lease liabilities *(Note 9)*	(45,297)	(60,344)
Payment of lease liabilities *(Note 9)*	(360,302)	(333,457)
Proceeds (withdrawals) of members' equity and contributions	(25,851,841)	32,773,493
Net Cash From (Used in) Financing Activities	(26,257,440)	32,379,692
NET INCREASE IN CASH	1,081,966	2,237,709
CASH AT BEGINNING OF YEAR	8,246,476	6,008,767
CASH AT END OF YEAR *(Note 5)*	P 9,328,442	8,246,476

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See Notes to Financial Statements.

NOVO ECIJANO TEACHERS MUTUAL BENEFIT ASSOCIATION, INC.
(A Non-Stock, Non-Profit Association)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021
(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 beneficiaries 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, 2022 (including the comparative financial statements as at and for the year ended December 31, 2021) were authorized for issue by the Association's Board of Trustees (BOT) on March 31, 2023.

2. MEMBERSHIP

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Preparation of Financial Statements

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

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

Pursuant to Section 189 of The Amended Insurance Code, the Insurance Commission issued Circular Letter No. 2014-41 dated September 25, 2014 requiring all new and existing mutual benefits associations doing business in the Philippines to use and maintain the revised Standard Chart of Accounts (SCA) for MBAs. The SCA is the prescribed framework for the 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 Amendments to PFRS

a. *Effective in 2022 that are Relevant to the Association*

The Association adopted for the first time the following amendments to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2022:

PFRS 3 (Amendments)	:	Business Combination - Reference to the Conceptual Framework
PAS 16 (Amendments)	:	Property, Plant and Equipment - Proceeds Before Intended Use
PAS 37 (Amendments)	:	Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract
Annual Improvements to PFRS 2018-2020 Cycle		
PFRS 9 (Amendments)	:	Financial Instruments - Fees in the '10 percent' Test for Derecognition of Liabilities
Illustrative Examples Accompanying PFRS 16:		Leases - Lease Incentives

Discussed below is the relevant information about these amended standards:

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

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

ii. PAS 16 (Amendments), *Property, Plant and Equipment - Proceeds Before Intended Use*. 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. The amendment has no material impact on the Association's financial statements.

iii. PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract*. 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, and 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). The amendment has no material impact on the Association's financial statements.

iv. Annual Improvements to PFRS 2018-2020 Cycle. The Association adopted the following amendments which have no material impact on the financial statements.

- PFRS 9 (Amendments), *Financial Instruments - Fees in the '10 percent' 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 the lessor in order to resolve any potential confusion regarding the treatment of lease incentives.

b. *Effective in 2022 that are not Relevant to the Association*

The following amendments to existing standards are mandatorily effective for annual periods beginning on or after January 1, 2022 but are not relevant to the Association's financial statements:

PFRS 3 (Amendments)	:	Business Combinations - Reference to the Conceptual Framework
Annual Improvements (2018-2020 Cycle)		
PFRS 1	:	First-time Adoption of PFRS – Subsidiary as a First-time Adopter
PAS 41	:	Agriculture – Previously held Interest in a Joint Operation

c. *Effective Subsequent to 2022 but not Adopted Early*

There are amendments to existing standards effective for annual periods subsequent to 2022, 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. 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.

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ii. 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 it's 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 sales or contributions 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.

iii. PFRS 17, Insurance Contracts (effective January 1, 2025). The new standard will eventually replace PFRS 4, Insurance Contracts. The Insurance Commission (IC), through its Circular Letter 2020-62, has deferred the implementation of PFRS 17 for the 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.

The Association's financial assets measured at amortized cost comprise of Cash, Loans and other receivables and Financial Assets at amortized cost in the statements of financial position.

For purposes of cash flows reporting and presentation, cash and cash equivalents comprise accounts with original maturities of three months or less, including cash. These generally include cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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.

Financial assets measured at amortized cost are included in the current assets, except for those with maturities greater than 12 months after the end of reporting period, which are classified as non-current assets.

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 the 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 the 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, 2022 and 2021, 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 the 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, 2022 and 2021, 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, and 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 financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans or investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit loss that 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.

The Association considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Association may also consider a financial asset to be in default when internal or external information indicates that the Association is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Association.

A financial asset is written off against the related provision for loan impairment when there is no reasonable expectation of recovering the contractual cash flows. 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 are 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 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 expenses 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 members' 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 discussed under the Leases section in the succeeding.

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

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

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

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

Other Current Assets

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

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Association beyond one year after the end of the reporting period or in the normal operating cycle of the business, if longer, are classified as non-current assets.

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 an 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 resources 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

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 the 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.

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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. All finance costs are reported in profit or loss on an accrual.

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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 the 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)*.

c. *Defined Contribution Plans*

A defined-contribution plan is a post-employment plan under which the Association pays fixed contributions to 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.

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

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 18.

Key Sources of Estimation Uncertainty

Presented below and in the succeeding pages are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of resources and liabilities within the next financial year:

a. *Estimation of Allowance for ECL*

   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. *Determination of Appropriate Discount Rate in Measuring Lease Liabilities*

   The Association measures its lease liabilities at the present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Association's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

c. *Fair Value Measurement for Financial Instruments*

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

   The fair values of the Association's financial instruments are disclosed in Note 21.

d. *Estimation of Useful Lives Property and Equipment*

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

   The carrying amounts of property and equipment property are analyzed in Note 8. Based on management assessment as at December 31, 2022 and 2021, 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.

e. Impairment of Non-financial Assets

PFRS requires that an impairment review be performed when certain impairment indications are present. The Association's policy on estimating the impairment of non-financial assets is discussed in detail in Note 3. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

f. Valuation of Post-employment Defined Benefit Obligation

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. As at December 31, 2022, the Association does not have a formal post-employment benefit plan; however, it computes post-employment benefit obligation based on the provisions of R.A. No. 7641 which covers all regular full-time employees. Management believes that the obligation computed under R.A. No. 7641 will not materially differ had it been actuarially determined *(see Note 15).*

g. Valuation of Legal Policy Reserves

Legal policy reserves represent estimates of 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 guidelines 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:

	2022	2021
Cash in banks	P 9,308,442	P 8,226,476
Petty cash fund	20,000	20,000
	P 9,328,442	P 8,246,476

Cash in banks generally earns interest at rates based on daily bankosit rates. The interest earned in cash in banks amounted to P4,538 in 2022 and P21,085 in 2021 and is 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:

	2022	2021
Consumption loans	P 195,453,199	P 202,991,359
Other receivables:		
Unremitted members' contributions	211,700	233,550
Accrued interest receivable	105,967	43,570
Members' contribution due and uncollected	39,250	33,800
	195,810,116	203,302,279
Unearned interest income	(41,683,223)	(18,689,842)
Allowance for impairment losses	(4,779,721)	(4,816,007)
	P 149,347,172	P 179,796,430

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

	2022	2021
Current	P 69,795,327	P 88,608,017
Non-current	79,551,845	91,188,413
	P 149,347,172	P 179,796,430

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

	2022			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amounts as at January 1, 2022	P 201,593,203	P -	P 558,225	P 202,151,428
New assets originated	584,592,224	-	-	584,592,224
Assets derecognized or prepaid	(590,371,840)	-	-	(590,371,840)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	(95,915)	-	95,915	-
Amounts written-off	(561,696)	-	-	(561,696)
Gross carrying amounts as December 31, 2022	P 195,155,976	P -	P 654,140	P 195,810,116
ECL allowance as at January 1, 2022	P 3,790,434	P -	P 1,025,573	P 4,816,007
Provision for credit losses	525,410	-	-	525,410
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	(70,419)	-	70,419	-
Amounts written-off	(561,696)	-	-	(561,696)
ECL allowance as at December 31, 2022	P 3,683,729	P -	P 1,095,992	P 4,779,721

	2021			
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amounts as at January 1, 2021	P 171,373,583	P -	P 472,127	P 171,845,710
New assets originated	467,584,300	-	-	467,584,300
Assets derecognized or prepaid	(435,081,083)	-	-	(435,081,083)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	(86,098)	-	86,098	-
Amounts written-off	(1,046,648)	-	-	(1,046,648)
Gross carrying amounts as December 31, 2021	P 202,744,054	P -	P 558,225	P 203,302,279
ECL allowance as at January 1, 2021	P 4,542,399	P -	P 956,788	P 5,499,187
Provision for credit losses	363,468	-	-	363,468
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	(68,785)	-	68,785	-
Amounts written-off	(1,046,648)	-	-	(1,046,648)
ECL allowance as at December 31, 2021	P 3,790,434	P -	P 1,025,573	P 4,816,007

The Association grants loans ranging from P1,000 to P1,000,000 with-term ranging from two to three years and bears annual effective interest of 4% in 2022 and 2021. Collections of these loans are made through salary deductions whereby the Association authorizes the Treasurer, Cashier, Paymaster, or the Payroll Division Department of borrowers' paying agencies to deduct loan amortization from the borrowers' salaries. Interest on loan amounted to P8,520,094 and P9,289,257 in 2022 and 2021, respectively. The Association's consumption amounted to P561,696 and P1,046,648 was written-off in 2022 and 2021, respectively.

The Association collects service fees of 6% on every loan granted. The service fees recognized amounted to P7,094,260 in 2022 and P5,212,785 in 2021 and are presented as part of Service charges and fees in the statements of comprehensive income.

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

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

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

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

7. FINANCIAL ASSET AT AMORTIZED COST

Financial assets at amortized cost amounted to P12,743,820 in 2022 and P12,617,148 in 2021 pertain to treasury bills bearing an annual effective interest ranging from 0.5% to 1.0% in 2022 and 2021 and with maturity dates of less than one year. The interest earned on this financial asset at amortized cost amounted to P256,563 in 2022 and P116,304 in 2021 and is presented as part of Interest on the financial asset at amortized cost in the statements of comprehensive income.

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

8. PROPERTY AND EQUIPMENT

The gross carrying amounts and the accumulated depreciation at the beginning and end of 2022 and 2021 are shown below:

	Office Equipment	Furniture and Fixtures	Building	Total
December 31, 2022,				
Cost	P 1,392,473	P 938,330	P 14,125,252	P 16,456,055
Accumulated depreciation	(1,342,677)	(938,304)	(14,125,252)	(16,406,233)
Net carrying amount	P 49,796	P 26	P -	P 49,822
December 31, 2021,				
Cost	P 1,355,983	P 938,330	P 14,125,252	P 16,419,565
Accumulated depreciation	(1,314,418)	(938,304)	(13,301,278)	(15,554,000)
Net carrying amount	P 41,565	P 26	P 823,974	P 865,565

A reconciliation of the carrying amounts at the beginning and end of 2022 and 2021, of property and equipment, is shown below:

	Office Equipment	Furniture and Fixtures	Building	Total
Balance at January 1, 2022, net of accumulated depreciation	P 41,565	P 26	P 823,974	P 865,565
Additions during the year	36,490	-	-	36,490
Depreciation for the year *(see Note 14)*	(28,259)	-	(823,974)	(852,233)
Balance at December 31, 2022 net accumulated depreciation	P 49,796	P 26	P -	P 49,822
Balance at January 1, 2021, net of accumulated depreciation	P 63,231	P 26	P 2,236,499	P 2,299,756
Depreciation for the year *(see Note 14)*	(21,666)	-	(1,412,525)	(1,434,191)
Balance at December 31, 2021 net accumulated depreciation	P 41,565	P 26	P 823,974	P 865,565

The building with a net carrying value of nil as at December 31, 2022 and P823,974 as at December 31, 2021 was acquired under installment *(see Note 10)*.

As at December 31, 2022 and 2021, 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 2022 and 2021. The management believes that no impairment loss should be recognized in 2022 and 2021.

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9. 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 the 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 pertains to office space rental. The carrying amount of right-of-use of an asset as at December 31, 2022 and 2021 and the movement during the year are shown below:

	2022	2021
Balance at beginning of year	P 452,825	P 784,744
Additions	329,465	-
Amortization for the year *(see Note 14)*	(335,069)	(331,919)
Balance at end of year	P 447,221	P 452,825

Lease Liabilities

The lease liabilities are presented in the statements of financial position as at December 31, 2022 and 2021 is as follows:

	2022	2021
Current	P 289,684	P 332,921
Non-current	200,603	188,203
	P 490,287	P 521,124

As at December 31, 2022 and 2021, the Association had committed to leases that had not commenced. The total future cash outflows for the lease that had not yet commenced amounted to P490,287 in 2022 and P521,124 in 2021.

The undiscounted maturity analysis of lease liabilities as at December 31, 2022 is as follows:

	Within 1 Year	1 to 2 Years	2 to 3 Years	Total
Lease payment	P 318,000	P 128,100	P 88,200	P 534,300
Finance charges	(28,316)	(12,443)	(3,254)	(44,013)
Net present value	P 289,684	P 115,657	P 84,946	P 490,287

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The undiscounted maturity analysis of lease liabilities as at December 31, 2021 is as follows:

	Within 1 Year	1 to 2 Years	Total
Lease payment	P 365,600	P 196,000	P 561,600
Finance charges	(32,679)	(7,797)	(40,476)
Net present value	P 332,921	P 188,203	P 521,124

Additional Profit and Loss and Cash Outflow Information

The total cash outflow with respect to leases amounted to P360,302 in 2022 and P333,457 in 2021. Interest expense in relation to lease liabilities amounted to P45,297 in 2022 and P60,344 in 2021 and is presented as part of Operating expenses in the statements of comprehensive income *(see Note 14).*

10. ACCOUNTS PAYABLE AND OTHER LIABILITIES

This account consists of:

	2022	2021
Retirement benefit obligation *(see Note 15)*	P 3,398,255	P 3,363,000
Accounts payable	337,625	283,163
Management and other professional fees payable	308,610	477,330
Others	739,084	1,345,855
	P 4,783,574	P 5,469,348

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

	2022	2021
Current	P 1,385,319	P 2,106,348
Non-current	3,398,255	3,363,000
	P 4,783,574	P 5,469,348

Accounts payable are non-interest bearing and are normally settled within 30 days to 120 days term. Accounts payable arise from the purchase of goods and services from third parties. These are generally paid within 3 to 12 months after the end of the financial reporting period.

Management and other professional fees payable are generally settled within 3 to 12 months after the end of the financial reporting period.

Others pertain to statutory payables to BIR and other government agencies which are remitted at an average term of 10-15 days after the end of the financial reporting period.

11. LEGAL POLICY RESERVES

This account represents the amount set up by the Association to cover future benefit payments to members based on the amounts recommended by an independent actuary accredited by the Insurance Commission. The actuarial report was dated March 15, 2023 in 2022 and March 14, 2022 in 2021.

The movement in the legal policy reserves is presented below:

	2022	2021
Balance at beginning of year	P 20,615,471	P 20,215,223
Increase (decrease) during the year	(116,920)	400,248
Balance at end of year	P 20,498,551	P 20,615,471

12. MEMBERS' DEPOSITS

This account pertains to the retirement savings fund of the member. A monthly payment of P200 may be made by all the members as their retirement savings fund. The Association's members' deposits amounting to P12,410,753 and to P18,774,272 as at December 31, 2022 and 2021, respectively, are presented as current liability in the statements of financial position. The savings fund shall be withdrawn anytime such as for emergency purposes and the conditions stated in the termination of membership/coverage provision.

Members are entitled to annual interest provided that they should have a continuous monthly deposit for at least one year, varying every year and depending on Association's profit. The interest rate shall be determined by the Board of Trustees but it shall not be less than the prevailing savings interest rate of the top three commercial banks. Total interest expense on members' deposits amounted to P971,864 and P1,086,253 as of December 31, 2022, and 2021, respectively, presented as part of operating expenses in the statements of comprehensive income *(see Note 14).*

13. MEMBERS' EQUITY AND CONTRIBUTIONS

The Association collects P100 as an initial membership fee to be eligible as a member of the Association. The total initial membership fees amounted to P517,400 and P549,700 in 2022 and 2021, respectively, and 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 P58,478,918 in 2022 and P84,330,759 in 2021. As at December 31, 2022 and 2021, the Association has a total of 5,174 and 5,497 members, respectively.

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

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

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

Of the amount allocated to members' deposits, P100 can be withdrawn upon 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 P1,263,481 and P1,868,701 in 2022 and 2021, respectively.

14. EXPENSES

The details of these accounts are shown below:

	2022	2021
Salaries and employee benefits *(see Note 15)*	P 6,991,640	P 5,920,135
Professional fees	2,148,868	2,253,747
Interest on members' deposit *(see Note 12)*	971,864	1,086,253
Depreciation *(see Note 8)*	852,233	1,434,191
Impairment losses *(see Note 6)*	525,410	363,468
Taxes and licenses *(see Note 25)*	470,456	238,300
Communication and utilities	338,108	312,878
Amortization of right-of-use asset *(see Note 9)*	335,069	331,919
Security	308,742	250,026
Interest on lease liabilities *(see Note 9)*	45,297	60,344
Rentals	47,885	43,890
Transportation and travel	40,582	34,306
Office supplies	34,612	38,845
Repairs and maintenance	24,191	47,698
Increase in legal policy reserves	-	400,248
Others	1,094,957	948,792
	P 14,229,914	P 13,765,040

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

		2022		2021
Operating expenses	P	6,121,239	P	8,267,947
Benefit expenses		8,108,675		5,497,093
	P	14,229,914	P	13,765,040

15. EMPLOYEES' BENEFITS

Expenses recognized for salaries and employee benefits are presented below:

		2022		2021
Salaries and wages	P	5,424,803	P	4,512,793
Employees' welfare and benefits		1,109,038		1,021,379
Social security costs		422,544		335,189
Retirement benefits		35,255		50,774
	P	6,991,640	P	5,920,135

The Association was not able to obtain an actuarial valuation of its retirement benefit expense for 2022 and 2021 and the corresponding retirement benefit obligations as at December 31, 2022 and 2021, 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, which amounted to P3,398,255 and P3,363,000 as at December 31, 2022 and 2021 respectively, included as part of Accounts payable and other liabilities account *(see Note 10)*.

16. TAX EXPENSE

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

The tax expense reported in the statements of comprehensive income represents the 20% final tax withheld on interest income on deposits with banks amounting to P52,220 in 2022 and P27,478 in 2021.

17. FUND BALANCE

Assigned Fund Balance

This account consists of the following:

	2022	2021
Community, research and development	P 13,348,020	P 13,348,020
Guaranty fund	12,743,820	12,617,148
Members' education and scholarship	22,337,010	22,337,010
Improving system and equipment	3,351,545	3,351,544
	P 51,780,395	P 51,653,722

The reconciliation of assigned fund balance is presented below:

	2022	2021
Balance at beginning of year	P 51,653,722	P 52,468,443
Transfer to (from) unassigned fund balance	126,673	(814,721)
Balance at end of year	P 51,780,395	P 51,653,722

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.

18. 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, 2022 and 2021, 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.

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19. RELATED PARTY TRANSACTIONS AND RELATIONSHIP

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

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

	2022		2021		
	Amount of Transactions	Outstanding Balance	Amount of Transactions	Outstanding Balance	Terms and Condition
Key management personnel					
Compensation	4,850,497	-	4,512,793	-	
Officers					
Loans receivable	897,000	P 1,972,506	(P 545,160)	P 2,169,600	
Interest on loans	123,200	-	55,440	-	

Loans and Receivables with Related Parties

In the ordinary course of business, the Association has loan transactions with its officers. Under the Association's policy, these loans are made substantially on the same terms as with other members. In 2022 and 2021, the Association's outstanding loans to related parties amounted to P1,972,506 and P2,169,600, respectively, and are shown as part of Loans and other receivables accounts in the statements of financial position *(see Note 6)*.

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

	2022	2021
Balance at beginning of year	P 2,169,600	P 2,763,989
Releases during the year	560,700	545,160
Collections during the year	(757,794)	(1,139,549)
Balance at end of year	P 1,972,506	P 2,169,600

Interest income on these amounted to P123,200 in 2022 and P55,440 in 2021 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:

	2022	2021
Salaries and wages	P 5,424,803	P 4,512,793
Retirement benefits	3,398,255	3,363,000
Employees' benefits	1,109,038	1,431,091
Social security costs	422,544	335,189
	P 10,354,640	P 9,642,073

Key management includes the President and General Manager of the Association.

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20. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Association is exposed to a variety of financial risks in relation to financial instruments. The Association's financial assets and liabilities by category are summarized in Note 21. The main types of risks are market risk, credit risk and liquidity risk.

The management takes charge of the Association's overall risk management strategies which are 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 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 the Philippine peso, its functional currency.

b. Interest Rate Sensitivity

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

The sensitivity of the net result for the year to a 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 the 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.

The following tables demonstrate the sensitivity to a reasonable possible change in interest rates, with all other variables, held constant, of the Association's net interest income:

	2022			
	Increase (Decrease) in Basic Points			
	23	68	(23)	(68)
Change on net interest income:				
Cash	P 1,044	P 3,086	(P 1,044)	(P 3,086)
Loans and receivables	1,959,622	5,793,664	(1,959,622)	(5,793,664)
Financial assets at amortized cost	59,009	174,463	(59,009)	(174,463)
Cumulative total gap	P 2,019,765	P 5,971,213	(P 2,019,765)	(P 5,971,213)

	2021			
	Increase (Decrease) in Basic Points			
	23	68	(23)	(68)
Change on net interest income:				
Cash	P 4,850	P 14,338	(P 4,850)	(P 14,338)
Loans and receivables	2,136,529	6,316,695	(2,136,529)	(6,316,695)
Financial assets at amortized cost	26,750	79,087	(26,750)	(79,087)
Cumulative total gap	P 2,168,129	P 6,410,120	(P 2,168,129)	(P 6,410,120)

One of the goals in the risk management process is the adoption of the economic value approach in measuring the interest rate risk in the Association's book to complement the earnings approach or EaR currently used.

c. *Other Price Risk Sensitivity*

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

Credit Risk

Credit risk is the risk that the 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 and placing deposits and investments 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:

	2022	2021
Cash	P 9,308,442	P 8,226,476
Financial asset at amortized cost	12,743,820	12,617,148
Loans and other receivables	149,347,172	179,796,430
	P 171,399,434	P 200,640,054

The Association's concentration of credit risk arises from its loans and other receivables which amounted to P149,347,172 and P179,796,430 representing 86.83% and 88.95%of its total assets as at December 31, 2022 and 2021, respectively.

The credit risk for cash in banks and short-term investment are considered negligible since the counterparties are reputable banks with high-quality external credit ratings. Deposits with banks are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P500,000 for every depositor per banking institution. Financial asset at amortized cost consists of T-bills issued by the Philippine government, hence low credit risk. The Association is considered to have low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

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

	2022					
	Neither Past Due Nor Impaired			Past Due		
	High Grade	Standard Grade	Substantard Grade	But Not Impaired	Impaired	Total
Cash	P 9,308,442	P -	P -	P -	P -	P 9,308,442
Financial asset at amortized cost	12,743,820	-	-	-	-	12,743,820
Loans and receivables:						
Consumption	153,227,853	-	-	-	4,779,721	158,007,574
Members' contribution due and uncollected	39,250	-	-	-	-	39,250
Unremitted members contributions	211,700	-	-	-	-	211,700
Accounts receivable	-	-	-	-	-	-
Accrued interest receivable	105,967	-	-	-	-	105,967
	P175,637,032	P -	P -	P -	P 4,779,721	P180,416,753

	2021					
	Neither Past Due Nor Impaired			Past Due		
	High Grade	Standard Grade	Substantard Grade	But Not Impaired	Impaired	Total
Cash	P 8,226,476	P -	P -	P -	P -	P 8,226,476
Financial asset at amortized cost	12,617,148	-	-	-	-	12,617,148
Loans and receivables:						
Consumption	183,150,666	-	-	-	4,816,007	187,966,673
Members' contribution due and uncollected	33,800	-	-	-	-	33,800
Unremitted members contributions	233,550	-	-	-	-	233,550
Accrued interest receivable	43,570	-	-	-	-	43,570
	P204,305,210	P -	P -	P -	P 4,816,007	P209,121,217

The Association provides collectively allowance for impairment losses of P4,779,721 and P4,816,007 as at December 31, 2022 and 2021, respectively *(see Note 6)*.

The bases for 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:

	2022				
	On Demand	Less than 3 Months	3 to 12 Months	Over 1 Year	Total
Financial assets:					
Cash	P 9,308,442	P -	P -	P -	P 9,308,442
Financial asset at amortized cost	-	-	-	12,743,820	12,743,820
Loans and other receivables	15,154,906	33,118,324	21,522,097	79,551,845	149,347,172
	P 24,463,348	P 33,118,324	P 21,522,097	P 92,295,665	P 171,399,434
Financial liabilities:					
Accounts payable and other liabilities	P 1,385,319	P -	P -	P 3,398,255	P 4,783,574
Lease liabilities	-	-	188,203	-	188,203
Legal policy reserves	20,498,551	-	-	-	20,498,551
Members' deposits	12,410,753	-	-	-	12,410,753
Members' equity and contributions	-	-	-	58,478,918	58,478,918
	P 34,294,623	P -	P 188,203	P 61,877,173	P 96,459,999
Cumulative gap	(P 9,831,275)	P 33,118,324	P 21,333,894	P 30,418,492	P 75,039,435

	2021				
	On Demand	Less than 3 Months	3 to 12 Months	Over 1 Year	Total
Financial assets:					
Cash	P 8,226,476	P -	P -	P -	P 8,226,476
Financial asset at amortized cost	-	-	-	12,617,148	12,617,148
Loans and other receivables	22,334,770	21,689,582	44,583,665	91,188,413	179,796,430
	P 30,561,246	P 21,689,582	P 44,583,665	P 103,805,561	P 200,640,054
Financial liabilities:					
Accounts payable and other liabilities	P 2,106,348	P -	P -	P 3,363,000	P 5,469,348
Lease liabilities	-	-	332,921	188,203	521,124
Legal policy reserves	20,615,471	-	-	-	20,615,471
Members' deposits	18,774,272	-	-	-	18,774,272
Members' equity and contributions	-	-	-	84,330,759	84,330,759
	P 41,496,091	P -	P 332,921	P 87,881,962	P 129,710,974
Cumulative gap	(P 10,934,845)	P 21,689,582	P 44,250,744	P 15,923,599	P 70,929,080

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

21. CATEGORIES AND FAIR VALUES OF FINANCIAL ASSETS

Carrying Amounts and Fair Values by Category

The following tables set forth the carrying values and estimated fair values of financial assets and liabilities, by category and by class, recognized as at December 31, 2022 and 2021:

	2022		2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Cash	P 9,328,442	P 9,328,442	P 8,246,476	P 8,246,476
Financial assets at amortized cost	12,743,820	12,743,820	12,617,148	12,617,148
Loans and receivables	149,347,172	149,347,172	179,796,430	179,796,430
	P 171,419,434	P 171,419,434	P 200,660,054	P 200,660,054
Financial Liabilities				
Accounts payable and other liabilities	P 4,783,574	P 4,783,574	P 5,469,348	P 5,469,348
Lease liabilities	490,287	490,287	521,124	521,124
Legal policy reserves	20,498,551	20,498,551	20,615,471	20,615,471
Members' deposits	12,410,753	12,410,753	18,774,272	18,774,272
Members' equity and contributions	58,478,918	58,478,918	84,330,759	84,330,759
	P 96,662,083	P 96,662,083	P 129,710,974	P 129,710,974

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, Short-term investments and Financial Asset at Amortized Cost*

Loans and other receivables, short-term investments and financial assets at amortized cost are net of impairment losses. The estimated fair value of loans and receivables, short-term investment 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 amortized cost. Fair value of these liabilities approximates their carrying values.

iv. *Lease liabilities*

Lease liabilities bear market interest rates; hence, management believes that carrying amounts approximate their fair values.

Fair Value Hierarchy

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

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

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

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

For financial assets and liabilities which do not have quoted market price, the fair value is determined by using generally accepted 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 assets at amortized cost are categorized as Level 1. Loans and receivables and financial assets at amortized cost and all financial liabilities are categorized as Level 3.

22. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

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

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

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

	2022	2021
Total liabilities	P 96,662,083	P 129,710,974
Total equity	75,264,394	72,275,470
Debt-to-equity ratio	1.28:1.00	1.79:1.00

Risk-Based Capital (RBC) Requirements

On December 8, 2006, the IC issued Insurance Memorandum Circular (IMC) No. 11-2006, *Adoption of Risk-Based Capital Framework For The Philippine Mutual Benefit Associations,* prescribes that all Mutual Benefit Association (MBA) must satisfy the minimum statutory RBC ratio of 100% and not fail the trend test as stated under II.A.2 of the IC Memorandum.

Every MBA is annually required to maintain a minimum RBC ratio of 100% and not fail the trend test. The trend test has failed, in the event that:

a. The RBC ratio is less than 125% but is not below 100%
b. The RBC ratio has decreased over the past year

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Revenue Officer
Date:

c. The difference between the RBC ratio and the decrease in the RBC ratio over the past year is less than 100%

Failure to meet the RBC ratio shall subject the insurance company to the corresponding regulatory intervention which has been defined at various levels.

The Association has satisfactorily complied with the RBC ratio of the Insurance Commission in both years.

23. NON-ADMITTED ASSETS AND LIABILITIES

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

		2022		2021
Property and equipment	P	49,822	P	41,591
Accrued interest receivable		105,967		43,570
	P	155,789	P	85,161

24. STATEMENT OF CASH FLOWS

a. Supplemental Information on Non-cash Investing and Financing Activities

The Association's recognized right-of-use assets amounting to P447,221 in 2022 and P452,825 in 2021, and lease liabilities amounting to P490,287 in 2022 and P521,124 in 2021.

b. Reconciliation of Liabilities Arising from Financing Activities

Presented below is the reconciliation of the Association's arising from financing activities, which includes both cash and non-cash changes:

	Members' Equity and Contributions	Lease Liabilities (see Note 9)	Total
Balance at January 1, 2022	P 84,330,759	P 517,148	P 84,847,907
Cash flows from financing activities:			
Addition	(25,851,841)	329,465	(25,552,376)
Payment of lease liabilities	-	(356,316)	(356,316)
Interest on lease liabilities	-	(45,297)	(45,297)
Non-cash financing activities			
Interest amortization on lease liabilities	-	45,297	45,297
Balance at December 31, 2022	P 58,478,918	P 490,297	P 58,969,215

	Members' Equity and Contributions	Lease Liabilities (see Note 9)	Total
Balance at January 1, 2021	P 51,557,266	P 854,581	P 52,411,847
Cash flows from financing activities:			
Addition	32,773,493	-	32,773,493
Payment of lease liabilities	-	(337,433)	(337,433)
Interest on lease liabilities	-	(60,344)	(60,344)
Non-cash financing activities			
Interest amortization on lease liabilities	-	60,344	60,344
Balance at December 31, 2021	P 84,330,759	P 517,148	P 84,847,907

25. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Presented below and in succeeding pages, are the supplementary information which is 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 years presented since it does not have any transactions which are subject to the excise tax.

e. *Documentary Stamp Tax*

The Association did not incur documentary stamp tax for the year 2022.

f. *Taxes and Licenses*

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

Fines and penalties	P	247,530
Municipal license and permits		151,373
Insurance commission filing and license fee		20,270
Annual registration		500
Community tax certificate		500
Others		50,283
	P	470,456

g. *Withholding Taxes*

The details of total withholding taxes for the year ended December 31, 2022 are shown below:

Compensation	P	348,890
Expanded		26,652
	P	375,542

h. Deficiency Tax Assessment and Tax Case

As at December 31, 2022, the Association neither has any deficiency tax assessment with the BIR nor tax case outstanding nor 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, 2022, the Association is not covered by the requirements and procedures for related party transactions provided under this RR.

AMC
& ASSOCIATES

Certified Public Accountants

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, 2022, on which we have rendered our report dated March 31, 2023. 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, 2022 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, 2022;
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; and,
4. NSPO Form 4 – Schedule of Contributions and Donations.

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Officer

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. 4275-SEC (Group A) - valid until 2022 audit
IC Accreditation No. 4275-IC (Group A) - valid until December 31, 2024
BSP Accreditation No. 4275-BSP (Group B) – valid until December 31, 2025
CDA CEA No. 075-AF – June 2, 2021 to June 1, 2024

Suite 1801 - 1807 Cityland Condominium 10 Tower 2, H.V. Dela Costa St., Makati City, Philippines
Tel. No.: (02) 8841.0462 • Fax No.: (02) 8893.0287

AMC & ASSOCIATES

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

By: **Joseph Cedric V. Calica**
Partner
CPA Cert. No. 94541
TIN 163-257-226-000
PTR No. 9566559, Jan. 3, 2023, Makati City
BIR Accreditation No. 08-002582-1-2020
(Oct. 8, 2020 to Oct. 7, 2023)
SEC Accreditation No. 94541-SEC (Group A)
(valid until 2022 audit period)
IC Accreditation No. 94541-IC (Group A)
(valid until Dec. 31, 2024)
BSP Accreditation No. 94541-BSP (Group B)
(valid until Dec. 31, 2025)

March 31, 2023

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NOVO ECIJANO TEACHERS'
MUTUAL BENEFIT ASSOCIATION, INC.

NSPO Form - 1

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 2022, to wit:

Documents/Schedules to the Audited Financial Statements as of December 31, 2022	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		

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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 ____ day of ____________, at CITY OF MANILA Philippines.

President

Treasurer CITY OF MANILA

Subscribed and sworn to before me, a Notary Public for and in ______________ City, on APR 13 2023 affiants personally, exhibiting their respective competent evidence of Identification Card ____________ issued at __________ issued on __________________.

ATTY. ROLAND B. LAS PIÑAS
Notary Public City of Manila NOTARY PUBLIC
Notarial Commission No. 2023/016
Until Dec 31 2024
240-C A.H. Lacson St., Samp. Mla.
Roll of Attorney No 84035
PTR No 0822024/JAN 3, 2023/ MLA.
IBP Membership No. 243549 / 06/20/2022
MCLE Exempted O.B.O. 1st 2022

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Series of 2023

NSPO Form - 2

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 with registered address at **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 APR 13 2023 day of __________ 2023, at CITY OF MANILA

Atty. Tomas F. Lahom III
Affiant
(Signature over Printed Name)

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19 APR 2023

SUBSCRIBED AND SWORN to before me this APR 13 2023, affiant exhibiting to me his ________ issued on ________ at ________________ as competent evidence of identity.

Doc No. 478
Page No. 97
Book No. IV
Series of 2023

ATTY. ROLAND B. LAS PIÑAS
Notary Public City of Manila
Notarial Commission No 2023/016
Until Dec 31 2024
240-C A.H Lacson St., Samp. Mla.
Roll of Attorney No 84035
PTR No 0822024/JAN 3, 2023/ MLA.
IBP Membership No 243549 / 06/20/2022
MCLE Exempted O.B.O 1s. 2008

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

Name of Foundation/Organization: NOVO ECIJANO TEACHERS' MUTUAL BENEFIT ASSOCIATION, INC.

SEC Registration No. A200102996

For the Year Ended December 31, 2022

Receipts or Income or Sources of Funds

(a) 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/ Period Covered
1	Interest on loans	Members	P 8,520,094.00	December 31,2022
2	Financial asset at amortized cost	Banks	P 256,563.00	December 31,2022
3	Interest in banks	Banks	P 4,538.00	December 31,2022
4	Service charges and fees	Members	P 7,094,260.00	December 31,2022
5	Others (aggregate of all sources of income which are individually below P100,000.00)	Members	P 132,122.00	December 31,2022

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Revenue Officer
Date:

SCHEDULE OF CONTRIBUTIONS AND DONATIONS (PART I)

Name of Foundation/Organization: NOVO ECIJANO TEACHERS' MUTUAL BENEFIT ASSOCIATION, INC.

SEC Registration No. A200102996

For the Year Ended December 31, 2022

Part I. Contributors/Donors[2]

(a) No.	(b) Name and Address	(c) Nationality[3]	(d) Total Contributions	(e) Type of Contribution[4]
1				☐ Cash ☐ Non/Cash (Complete Part II if there is a noncash contribution)
2				☐ Cash ☐ Non/Cash (Complete Part II if there is a noncash contribution)
3				☐ Cash ☐ Non/Cash (Complete Part II if there is a noncash contribution)
4				☐ Cash ☐ Non/Cash (Complete Part II if there is a noncash contribution)
5				☐ Cash ☐ Non/Cash (Complete Part II if there is a noncash contribution)
6				☐ Cash ☐ Non/Cash (Complete Part II if there is a noncash contribution)
7				☐ Cash ☐ Non/Cash (Complete Part II if there is a noncash contribution)
8				☐ Cash ☐ Non/Cash (Complete Part II if there is a noncash contribution)
9				☐ Cash ☐ 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 1,263,481	☑ Cash ☐ Non/Cash (Complete Part II if there is a noncash contribution)

(Use separate sheet if necessary)

TOTAL CONTRIBUTIONS/DONATIONS 1,263,481.00

[2]A **contributor or donor** includes individuals, partnerships, corporations, associations, trusts and organizations.

[3]If **supranational organization**, indicate place of principal office or domicile.

[4]**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.

RDO 23 B SOUTH N.E.
BUREAU OF INTERNAL REVENUE
RECEIVED
19 APR 2023
Revenue Officer
Date:

SCHEDULE OF CONTRIBUTIONS AND DONATIONS (PART II)

Name of Foundation/Organization: NOVO ECIJANO TEACHERS' MUTUAL BENEFIT ASSOCIATION, INC.

SEC Registration No. A200102996

For the Year Ended December 31, 2022

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 2022.		
2			
3			
4			
5			
6			
7			
8			
9			
10			