



SECURITIES AND EXCHANGE COMMISSION

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Company Information

SEC Registration No.: A200102996

Company Name: NOVO ECIJANO TEACHERS MUTUAL BENEFIT ASSOCIATION, INC.

Industry Classification: O91120

Company Type: Non-stock Corporation

Document Information

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Remarks: None

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Hi NOVO ECIJANO TEACHERS MUTUAL BENEFIT ASSOCIATION INC.,

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Submission Date/Time: **Apr 27, 2026 05:20 PM**
Company TIN: **222-191-036**

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COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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Company Name

[illegible]

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

[illegible]

Form Type

A	A	F	S
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Department requiring the report

C	R	M	D
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Secondary License Type, If Applicable

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COMPANY INFORMATION

Company's Email Address

netmbai@novo.com.ph

Company's Telephone Number/s

(044) 464 2063

Mobile Number

0917-5344057

No. of Stockholders

N/A

Annual Meeting (Month/Day)

Any date in March

Fiscal Year (Month/Day)

December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person

MARIA ELOISA DIMAGIBA

Email Address

eloi.dimagiba@yahoo.com

Telephone Number/s

7464-2063

Mobile Number

0917-5344057

CONTACT PERSON'S ADDRESS

UNIT 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 Deficiencies shall not excuse the corporation from liability for its deficiencies.



NOVO ECIJANO TEACHERS'
MUTUAL BENEFIT ASSOCIATION, INC.

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

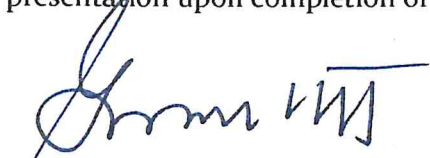
The management of Novo Ecijano Teachers Mutual Benefit Association, Inc. is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2025 and 2024, in accordance with the prescribed financial reporting 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.

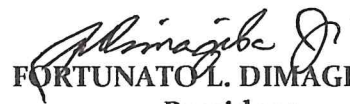
In preparing the financial statements, management is responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association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

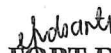
The Board of Trustees is responsible for overseeing the Association's financial reporting process.

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.


RICARDO GABRIEL K. MANOTOC III
Chairman


FORTUNATO L. DIMAGIBA, JR.
President


EARIEL FORT D. SANTE
Treasurer

Signed this 13th day of April, 2026



Financial Statements

**NOVO ECIJANO TEACHERS
MUTUAL BENEFIT ASSOCIATION, INC.**

December 31, 2025 and 2024



Aquino, Mata, Calica & Associates
Certified Public Accountants
Suite 1805 - 1807 Cityland Condominium 10 Tower 2
H.V. Dela Costa St., Makati City, 1227 Philippines
T +63 2 8841 0462 • +63 2 8893 0287

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 condition as at December 31, 2025 and 2024, and the statements of operations, statements of changes in fund balance and statements of cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial condition of the Association as at December 31, 2025 and 2024, 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) Accounting Standards.

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 Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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



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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.



Aquino, Mata, Calica & Associates
Certified Public Accountants
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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, 2025 required by the Bureau of Internal Revenue as disclosed in Note 27 of the financial statements is presented for purposes of additional analysis and is not a required part of financial statements prepared in accordance with PFRS applicable to MBAs Accounting Standards. 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. 10770261, Jan. 9, 2026, Makati City

BIR Accreditation No. 08-002582-001-2023

(issued on Oct. 12, 2023 valid until Oct. 11, 2026)

SEC Accreditation No. 94541-SEC (Group A)

(valid to audit 2023 to 2027 financial statements)

IC Accreditation No. IC-EA-2026-0049-R (Group A)

(valid to audit 2025 to 2027 financial statements)

BSP Accreditation No. 94541-BSP (Group B)

(valid to audit 2021 to 2025 financial statements)

April 13, 2026

FIRM ACCREDITATION

Aquino, Mata, Calica & Associates

BOA Accreditation No. 4275 - valid from June 29, 2023 to June 28, 2026

BIR Accreditation No. 08-002582-000-2023 - issued on October 12, 2023 valid until October 11, 2026

SEC Accreditation No. 4275-SEC (Group A) - valid to audit 2023 to 2027 financial statements

BSP Accreditation No. 4275-BSP (Group B) - valid to audit 2021 to 2025 financial statements

CDA CEA No. 075-AF - valid from January 15, 2025 to January 14, 2030



NOVO ECIJANO TEACHERS MUTUAL BENEFIT ASSOCIATION, INC.
(A Non-Stock, Non-Profit Association)
STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2025 AND 2024
(Amounts in Philippine Peso)

	2025	2024
<u>A S S E T S</u>		
CURRENT ASSETS		
Cash (Note 5)	P 8,476,281	P 9,460,572
Receivables (Note 6)	13,065,462	9,594,509
Financial assets at amortized cost (Note 7)	14,258,700	13,635,800
Other current assets	578	4,044
Total Current Assets	35,801,021	32,694,925
NON-CURRENT ASSETS		
Receivables (Note 6)	142,475,749	144,366,835
Property and equipment (Note 8)	68,231	10,100
Right-of-use assets (Note 9)	1,044,929	989,346
Other non-current assets	14,210	10,000
Total Non-current Assets	143,603,119	145,376,281
TOTAL ASSETS	P 179,404,140	P 178,071,206
<u>LIABILITIES AND FUND BALANCE</u>		
CURRENT LIABILITIES		
Accounts payable and other liabilities (Note 10)	P 774,868	P 873,310
Claims payable on basic contingent benefit (Note 11)	411,172	-
Other benefits payable (Note 11)	201,803	-
Liability on equity value (Note 12)	77,410,078	79,891,759
Basic contingent benefit reserve (Note 13)	100,925	111,275
Current portion of lease liabilities (Note 9)	393,321	319,246
Total Current Liabilities	79,292,167	81,195,590
NON-CURRENT LIABILITIES		
Lease liabilities, net of current portion (Note 9)	745,107	755,026
Retirement benefit obligation (Note 16)	4,708,982	3,874,088
Total Non-current Liabilities	5,454,089	4,629,114
Total Liabilities	84,746,256	85,824,704
FUND BALANCE		
Assigned fund balance (Note 18)	69,439,234	66,901,040
Free and unassigned fund balance (Note 18)	25,218,650	25,345,462
Total Fund Balance	94,657,884	92,246,502
TOTAL LIABILITIES AND FUND BALANCE	P 179,404,140	P 178,071,206

See Notes to Financial Statements.



NOVO ECIJANO TEACHERS MUTUAL BENEFIT ASSOCIATION, INC.
(A Non-Stock, Non-Profit Association)
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(Amounts in Philippine Peso)

	<u>2025</u>	<u>2024</u>
REVENUES <i>(Note 14)</i>		
Interest income	P 11,991,429	P 16,933,759
Membership fees, dues and contributions	2,471,794	3,046,750
Miscellaneous income	<u>4,506,623</u>	<u>4,244,295</u>
	<u>18,969,846</u>	<u>24,224,804</u>
EXPENSES <i>(Note 15)</i>		
Benefit expenses	1,793,025	1,446,145
Operating expenses	<u>14,606,129</u>	<u>12,519,173</u>
	<u>16,399,154</u>	<u>13,965,318</u>
PROFIT BEFORE TAX	2,570,692	10,259,486
TAX EXPENSE <i>(Note 17)</i>	<u>159,310</u>	<u>155,704</u>
NET PROFIT	2,411,382	10,103,782
COMPREHENSIVE INCOME	<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME	<u><u>P 2,411,382</u></u>	<u><u>P 10,103,782</u></u>

See Notes to Financial Statements.



NOVO ECIJANO TEACHERS MUTUAL BENEFIT ASSOCIATION, INC.
(A Non-Stock, Non-Profit Association)
STATEMENTS OF CHANGES IN FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(Amounts in Philippine Peso)

	Assigned Fund Balance (Note 18)		Free and Unassigned Fund Balance (Note 18)		Total
Balance at January 1, 2025	P	66,901,040	P	25,345,462	P 92,246,502
Transfer to assigned fund balance		2,538,194	(	2,538,194)	-
Total comprehensive income for the year		<u>-</u>		<u>2,411,382</u>	<u>2,411,382</u>
Balance at December 31, 2025	<u>P</u>	<u>69,439,234</u>	<u>P</u>	<u>25,218,650</u>	<u>P 94,657,884</u>
Balance at January 1, 2024	P	55,651,055	P	26,491,665	P 82,142,720
Transfer to assigned fund balance		11,249,985	(	11,249,985)	-
Total comprehensive income for the year		<u>-</u>		<u>10,103,782</u>	<u>10,103,782</u>
Balance at December 31, 2024	<u>P</u>	<u>66,901,040</u>	<u>P</u>	<u>25,345,462</u>	<u>P 92,246,502</u>

See Notes to Financial Statements.



NOVO ECIJANO TEACHERS MUTUAL BENEFIT ASSOCIATION, INC.
(A Non-Stock, Non-Profit Association)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(Amounts in Philippine Peso)

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	P 2,570,692	P 10,259,486
Adjustments for:		
Retirement expense (Note 16)	834,894	273,729
Provision for unreported claims (Note 15)	411,172	-
Amortization of right-of-use asset (Note 9)	370,400	359,676
Impairment losses (Note 6)	337,919	326,065
Interest on lease liabilities (Note 9)	82,181	103,765
Depreciation (Note 8)	34,258	14,082
Decrease in basic contingent benefit reserve (Note 13)	(10,350)	(9,800)
Interest income (Notes 5, 6, and 7)	(11,991,429)	(16,933,759)
Operating loss before working capital changes	(7,360,263)	(5,606,756)
Increase in receivables	(1,917,786)	(2,712,650)
Increase in other assets	(744)	(4,044)
Increase (decrease) in accounts payable and other liabilities	(98,442)	56,306
Increase in other benefits payable	201,803	-
Increase (decrease) in members' deposits	(316,800)	492,369
Decrease in liability on individual equity value	(761,078)	(353,597)
Cash used in operations	(10,253,310)	(8,128,372)
Interest received (Notes 5 and 6)	11,198,339	16,158,590
Cash paid for final tax (Note 17)	(159,310)	(155,704)
Net Cash From Operating Activities	785,719	7,874,514
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on financial asset at amortized cost (Note 7)	793,090	775,169
Acquisitions of property and equipment (Note 8)	(92,389)	(7,299)
Additions to financial assets at amortized cost (Note 7)	(622,900)	(621,319)
Net Cash From Investing Activities	77,801	146,551
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of lease liabilities (Note 9)	(444,008)	(430,100)
Withdrawals of members' equity and contributions (Note 25)	(1,403,803)	(3,067,345)
Net Cash Used in Financing Activities	(1,847,811)	(3,497,445)
NET INCREASE (DECREASE) IN CASH	(984,291)	4,523,620
CASH AT BEGINNING OF YEAR	9,460,572	4,936,952
CASH AT END OF YEAR (Note 5)	P 8,476,281	P 9,460,572

See Notes to Financial Statements.



NOVO ECIJANO TEACHERS MUTUAL BENEFIT ASSOCIATION, INC.
(A Non-Stock, Non-Profit Association)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024
(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.

On April 12, 2024, the Association obtained tax exemption from the BIR under Tax Certificate No. CTE 00001-24-RDO23B-RR4 which is valid until April 11, 2027.

Approval of Financial Statements

The financial statements of the Association as at and for the year ended December 31, 2025 (including the comparative financial statements as at and for the year ended December 31, 2024) were authorized for issue by the Association's Board of Trustees (BOT) on April 13, 2026.

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 financial assistance in accordance with his borrowing capacity subject to the limitations as provided for under the existing rules and regulations of the Association.



3. MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policy information that have been used in the preparation of these financial statements are summarized below and in the succeeding pages. 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) Accounting Standards

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 (CL) No. 2014-41 dated September 25, 2014 and subsequently amended under CL 2021-04 dated January 20, 2021, 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) Accounting Standards. PFRS Accounting Standards is adopted by the Financial and Sustainability Reports Standards Council (FSRSC) from the pronouncement issued by the International Accounting Standards Board (IASB) and approved by the Philippine Board of Accountancy.

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 operations.

The Association presents the third statement of financial condition 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 condition at the beginning of the preceding period. The related notes to the third statement of financial condition 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 Accounting Standards for MBAs

a. Effective in 2025 that are Relevant to the Association

The Association adopted for the first time amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability*, which are mandatorily effective for annual periods beginning on or after January 1, 2025. The amendments require entities to assess whether a currency is exchangeable and to determine a spot exchange rate when exchangeability is lacking. These amendments also mandate the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable. The amendments had no significant impact on the financial statements of the Association.

b. Effective Subsequent to 2025 but not Adopted Early

There are amendments to existing standards effective for annual periods subsequent to 2025, which are adopted by the FSRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and unless otherwise indicated, none¹⁶ of these are expected to have significant impact on the Association's financial statements:

- i. PFRS 9 and PFRS 7 (Amendments), *Financial Instruments, and Financial Instruments: Disclosures – Amendments to the Classification and Measurement of Financial Instruments* (effective from January 1, 2026)
- ii. PFRS 9 and PFRS 7 (Amendments), *Financial Instruments, and Financial Instruments: Disclosures – Amendments to Contracts Referencing Nature-dependent Electricity* (effective from January 1, 2026).
- iii. PFRS 17, *Insurance Contracts – Insurance Contracts* (effective from January 1, 2027)
- iv. PFRS 17 (Amendments), *Insurance Contracts – Initial Application of PFRS 17 and PFRS 9 – Comparative Information* (effective from January 1, 2027).
- v. PFRS 18, *Presentation and Disclosure in Financial Statements* (effective from January 1, 2027). The new standard impacts the classification of profit or loss items (i.e., into operating, investing and financing categories) and the presentation of subtotals in the statement of profit or loss (i.e., operating profit and profit before financing and income taxes). The new standard also changes the aggregation and disaggregation of information presented in the primary financial statements and in the notes. It also introduces required disclosures about management-defined performance measures. The amendments, however, do not affect how an entity recognizes and measures its financial condition, financial performance and cash flows.



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, Receivables and Financial Assets at amortized cost in the statements of financial condition.

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 operations 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, 2025 and 2024, 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 operations.



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 operations.

As at December 31, 2025 and 2024, 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 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 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 operations. 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 receivables impairment when there is no reasonable expectation of recovering the contractual cash flows. Such receivables 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 operations.

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 operations.

When possible, the Association seeks to restructure financial assistance receivables rather than to take possession of the collateral. This may involve extending payment arrangements and the agreement of new FAR conditions. Once the terms have been renegotiated, the receivables is no longer considered past due. Management continuously reviews restructured receivables to ensure that all criteria are met and those future payments are likely to occur. The financial assistance receivables continue to be subject to an individual or collective impairment assessment, calculated using the FARs' original effective interest rate. The difference between the recorded sale of the original FAR 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 operations.

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 members' deposits, accounts payable and other liabilities, (excluding tax payables and post-employment benefit obligation), lease liabilities, liability on individual equity value, other benefits payable, basic contingent benefit reserve 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 operations.

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

Liability on equity value are recognized initially at fair value, which is the issue proceeds (fair value of the consideration received).

Liability on individual equity value, basic contingent benefit reserve, and claims payable are recognized as financial liability based on the amounts recommended by an independent actuary.



Claims payable on basic contingent benefit and Other Benefits payable represent benefit claims on membership certificates filed or reported to the association but not yet paid as of the end of the accounting period. It includes claims due and unpaid, claims in the course of settlement, resisted claims, and those which are incurred but not reported. These accounts shall be measured in accordance with generally accepted actuarial principles and internationally accepted actuarial standards.

Basic life insurance benefit reserve represents the total actuarial reserve set up by the Association pertaining to the basic life insurance benefit that is in force as at the end of the accounting period. It refers to the amount of liability that the Association establishes for a certificate to meet the contractual obligation as it falls due. This account shall be computed based on the valuation standards for the association to be prescribed by the Insurance Commission.

Lease liabilities are discussed under the Leases section in the succeeding.

Financial liabilities are derecognized from the statement of financial condition 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 condition 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 condition. 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
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 operations in the year the item is derecognized.

Other 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 Association follows a 5-step process to determine whether to recognize revenue:

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

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

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

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



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

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

The Association recognizes contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statements 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 condition, depending on whether something other than the passage of time is required before the consideration is due.

The Association recognizes revenue from contracts with customers within the scope of PFRS 15 as follows:

- *Membership fees, dues and contributions* – Revenue are recognized at a point in time when these become due and demandable from members, and the Association has the right to consideration. If such fees relate to services to be provided over a period, revenue is recognized over time on a straight-line basis over the membership period.
- *Service charges and fees* – Fees arising from the provision of transaction services are recognized as revenue at a point in time upon completion of the underlying transaction. Fees or components of fees that are linked to the satisfaction of specific performance obligations are recognized as revenue when the related performance obligations have been fulfilled.
- *Other income* – revenue is recognized at a point-in time once the performance of the related obligation is completed.

The following are the recognition criteria for revenues of the Association that are outside the scope of PFRS 15 and are accounted in accordance with the relevant applicable standards:

- *Interest* - Revenue is recognized based on the effective interest method of accounting. 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.

- *Rental income*- revenue from rental fees is recognized on a straight- line basis over the lease term.

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

Employee Benefits

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

a. Short-term Employee Benefits

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

b. Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The Company recognizes the estimated cost of post-employment benefits in accordance with the minimum retirement benefits required under Republic Act (RA) No. 7641, otherwise known as *The Philippine Retirement Pay Law*, as the present value of retirement benefits. Management believes that the computed retirement costs, based on these estimates, approximate the results of 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. Termination Benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for the benefits. The Company recognizes termination benefits at the earlier of when or can no longer withdraw the offer of such benefits and when it recognized costs for a restructuring and it involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due to more than 12 months after the end of the reporting period are discounted to present value.

Leases

For any new contracts entered into, 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 condition. 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 condition, 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 the statements of operations.

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 operations, 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 condition 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 for MBAs Accounting Standards require management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

Critical Judgments in Applying Accounting Policies

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

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

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

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

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

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



b. Application of ECL on Financial Assets at Amortized Cost

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

The Association has established a policy to perform an assessment, at the end of each reporting period, whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of a default occurring over the remaining life of the financial instrument. Details about the ECL on the Association's 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 disbursements to members, while maintaining a strategic portfolio of financial assets.

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 exercises judgment in determining the appropriate timing of recognition of membership contributions, fees and dues, taking into account the terms of the membership agreements and the period of coverage of the related benefits. Revenue is recognized as earned, consistent with the period over which the Association is exposed to risk and provides coverage to its members.

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 20.

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 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 22.

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, 2025 and 2024, 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, 2025, the Association does not have a formal post-employment benefit plan; however, it computes post-employment benefit obligation based on the provisions of R.A. No. 7641 which covers all regular full-time employees. Management believes that the obligation computed under R.A. No. 7641 will not materially differ had it been actuarially determined (*see Note 16*).

g. *Valuation of Basic Contingent Benefit Reserve*

Basic contingent benefit reserve 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:

	2025	2024
Cash in banks	P 8,456,281	P 9,440,572
Petty cash fund	20,000	20,000
	<u>P 8,476,281</u>	<u>P 9,460,572</u>

Cash in banks generally earns interest at rates based on daily bank deposit rates. The interest earned in cash in banks amounted to P3,458 in 2025 and P3,350 in 2024 and is presented as part of interest income in the statements of operations (*see Note 14*).

6. **RECEIVABLES**

The details of this account are shown below:

	2025	2024
Financial assistance receivables	P 204,189,186	P 199,601,625
Other receivables:		
Unremitted members' contributions	200,150	210,350
Accrued interest receivable	223,287	223,016
Members' contributions due and uncollected	1,700	12,200
	<u>204,614,323</u>	<u>200,047,191</u>
Unearned discount	(43,814,028)	(40,902,602)
Allowance for impairment losses	(5,259,084)	(5,183,245)
	<u>P 155,541,211</u>	<u>P 153,961,344</u>



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

	2025	2024
Current	P 13,065,462	P 9,594,509
Non-current	142,475,749	144,366,835
	<u>P 155,541,211</u>	<u>P 153,961,344</u>

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

		2025			
		Stage 1	Stage 2	Stage 3	Total
Gross carrying amounts as at					
January 1, 2025	P	198,579,039	P -	P 1,468,152	P 200,047,191
New assets originated		168,959,560	-	-	168,959,560
Assets derecognized or prepaid	(	164,130,348)	-	-	(163,544,021)
Transfer to Stage 1		1,468,152	-	(1,468,152)	-
Transfer to Stage 2		-	-	-	-
Transfer to Stage 3	(	389,280)	-	389,280	-
Amounts written-off	(	262,080)	-	-	(262,080)
Gross carrying amounts					
as at December 31, 2025	<u>P</u>	<u>204,225,043</u>	<u>P -</u>	<u>P 389,280</u>	<u>P 204,614,323</u>
ECL allowance as at					
January 1, 2025	P	3,715,093	P -	P 1,468,152	P 5,183,245
Provision for credit losses		337,919	-	-	337,919
(see Note 15)					
Transfer to Stage 1		1,468,152	-	(1,468,152)	-
Transfer to Stage 2		-	-	-	-
Transfer to Stage 3	(	389,280)	-	389,280	-
Amounts written-off	(	262,080)	-	-	(262,080)
ECL allowance as at					
December 31, 2025	<u>P</u>	<u>4,869,804</u>	<u>P -</u>	<u>P 389,280</u>	<u>P 5,259,084</u>
		2024			
		Stage 1	Stage 2	Stage 3	Total
Gross carrying amounts as at					
January 1, 2024	P	199,462,980	P -	P 1,095,992	P 200,558,972
New assets originated		163,032,240	-	-	163,032,240
Assets derecognized or prepaid	(	163,544,021)	-	-	(163,544,021)
Transfer to Stage 1		-	-	-	-
Transfer to Stage 2		-	-	-	-
Transfer to Stage 3	(	372,160)	-	372,160	-
Amounts written-off		-	-	-	-
Gross carrying amounts					
as at December 31, 2024	<u>P</u>	<u>198,579,039</u>	<u>P -</u>	<u>P 1,468,152</u>	<u>P 200,047,191</u>
ECL allowance as at					
January 1, 2024	P	3,761,188	P -	P 1,095,992	P 4,857,180
Provision for credit losses		326,065	-	-	326,065
(see Note 15)					
Transfer to Stage 1		-	-	-	-
Transfer to Stage 2		-	-	-	-
Transfer to Stage 3	(	372,160)	-	372,160	-
Amounts written-off		-	-	-	-
ECL allowance as at					
December 31, 2024	<u>P</u>	<u>3,715,093</u>	<u>P -</u>	<u>P 1,468,152</u>	<u>P 5,183,245</u>



The Association's Financial assistance receivables (FAR) shall be in the form of contribution loan that may used by the members for the purpose of servicing their personal needs, payment of tuition fees on education, additional business capital, medical reasons, house renovation and other emergencies. The Association grants financial assistance ranging from P1,000 to P1,000,000 with-term ranging from one to five years and bears annual effective interest of 4% in 2025 and 2024. Collections of these receivable are made through salary deductions whereby the Association authorizes the Treasurer, Cashier, Paymaster, or the Payroll Division Department of borrowers' paying agencies to deduct receivables amortization from the borrowers' salaries. Interest on financial assistance receivables amounted to P11,194,881 and P16,155,240 in 2025 and 2024, respectively (*see Note 14*). In 2025, the Association wrote-off FAR amounting to P262,080.

The Association collects service fees of 3% on every FAR granted. The service fees recognized amounted to P4,502,506 in 2025 and P4,241,025 in 2024 and are presented as part of Miscellaneous income in the statements of operations (*see Note 14*).

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.

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 ASSETS AT AMORTIZED COST

Financial assets at amortized cost amounted to P14,258,700 and P13,635,800 as at December 31, 2025 and 2024, respectively, pertain to short-term treasury bills bearing an annual effective interest of 5.64% in 2025 and 6.08% in 2024. The interest earned on this financial asset at amortized cost amounted to P793,090 in 2025 and P775,169 in 2024 and is presented as part of Interest income in the statements of operations (*see Note 14*).

The investment pertains to guaranty fund set aside in compliance with the Association's registration as a mutual benefit association (*see Note 18*).



8. PROPERTY AND EQUIPMENT

The gross carrying amounts and the accumulated depreciation at the beginning and end of 2025 and 2024 are shown below:

	Office Equipment	Furniture and Fixtures	Building	Total
December 31, 2025,				
Cost	P 1,461,730	P 968,761	P 14,125,252	P 16,555,743
Accumulated depreciation	(1,418,875)	(943,385)	(14,125,252)	(16,487,512)
Net Carrying Amount	<u>P 42,855</u>	<u>P 25,376</u>	<u>P -</u>	<u>P 68,231</u>
December 31, 2024,				
Cost	P 1,399,772	P 938,330	P 14,125,252	P 16,463,354
Accumulated depreciation	(1,389,698)	(938,304)	(14,125,252)	(16,453,254)
Net Carrying Amount	<u>P 10,074</u>	<u>P 26</u>	<u>P -</u>	<u>P 10,100</u>
January 1, 2024,				
Cost	P 1,392,473	P 938,330	P 14,125,252	P 16,456,055
Accumulated depreciation	(1,375,616)	(938,304)	(14,125,252)	(16,439,172)
Net Carrying Amount	<u>P 16,857</u>	<u>P 26</u>	<u>P -</u>	<u>P 16,883</u>

A reconciliation of the carrying amounts at the beginning and end of 2025 and 2024, of property and equipment, is shown below:

	Office Equipment	Furniture and Fixtures	Building	Total
Balance at January 1, 2025,				
net of accumulated depreciation	P 10,074	P 26	P -	P 10,100
Additions	61,958	30,431	-	92,389
Depreciation for the year (see Note 15)	(29,177)	(5,081)	-	(34,258)
Balance at December 31, 2025,				
net accumulated depreciation	<u>P 42,855</u>	<u>P 25,376</u>	<u>P -</u>	<u>P 68,231</u>
Balance at January 1, 2024,				
net of accumulated depreciation	P 16,857	P 26	P -	P 16,883
Additions	7,299	-	-	7,299
Depreciation for the year (see Note 15)	(14,082)	-	-	(14,082)
Balance at December 31, 2024,				
net accumulated depreciation	<u>P 10,074</u>	<u>P 26</u>	<u>P -</u>	<u>P 10,100</u>

None of the property and equipment is used as collateral in 2025 and 2024. The management believes that no impairment loss need to be recognized in 2025 and 2024.

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 term of those assets is three 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 assets as at December 31, and the movement during the year are shown below:

	<u>2025</u>	<u>2024</u>
Balance at beginning of year	P 989,346	P 1,349,022
Additions	425,983	-
Amortization for the year (<i>see Note 15</i>)	(370,400)	(359,676)
Balance at end of year	<u>P 1,044,929</u>	<u>P 989,346</u>

Lease Liabilities

The movement in lease liabilities is presented in Note 25. The lease liabilities are presented in the statements of financial condition as at December 31, is as follows:

	<u>2025</u>	<u>2024</u>
Current	P 393,321	P 319,246
Non-current	<u>745,107</u>	<u>755,026</u>
	<u>P 1,138,428</u>	<u>P 1,074,272</u>

The undiscounted maturity analysis of lease liabilities as at December 31, 2025 is as follows:

	<u>Within 1 Year</u>	<u>1 to 2 Years</u>	<u>2 to 3 Years</u>	<u>Total</u>
Lease payment	P 459,812	P 689,096	P 105,409	P 1,254,317
Finance charges	(66,491)	(47,902)	(1,496)	(115,889)
Net present value	<u>P 393,321</u>	<u>P 641,194</u>	<u>P 103,913</u>	<u>P 1,138,428</u>

The undiscounted maturity analysis of lease liabilities as at December 31, 2024 is as follows:

	<u>Within 1 Year</u>	<u>1 to 2 Years</u>	<u>2 to 3 Years</u>	<u>Total</u>
Lease payment	P 396,200	P 850,000	P -	P 1,246,200
Finance charges	(76,954)	(94,974)	-	(171,928)
Net present value	<u>P 319,246</u>	<u>P 755,026</u>	<u>P -</u>	<u>P 1,074,272</u>

Lease Payments Not Recognized as Liabilities

The Association has elected not to recognize a lease liability for short-term leases or leases of low-value assets. Payment made under such leases is expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognized as lease liabilities and are expensed as incurred.



The expenses relating to short-term leases and low-value assets amounted to P58,000 in 2025 and P48,000 in 2024 and are presented as Rentals under Operating expenses (*see Note 15*).

Additional Profit and Loss and Cash Outflow Information

The total cash outflow with respect to leases amounted to P444,008 in 2025 and P430,100 in 2024. Interest expense in relation to lease liabilities amounted to P82,181 in 2025 and P103,765 in 2024 and is presented as part of Operating expenses in the statements of operations (*see Note 15*).

10. ACCOUNTS PAYABLE AND OTHER LIABILITIES

This account consists of:

	<u>2025</u>	<u>2024</u>
Accounts payable	P 401,418	P 618,396
Management and other professional fees payable	282,000	184,950
Others	<u>91,450</u>	<u>69,964</u>
	<u>P 774,868</u>	<u>P 873,310</u>

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. CLAIMS PAYABLE ON BASIC CONTINGENT BENEFIT AND OTHER BENEFITS PAYABLE

Claims Payable on Basic Contingent Benefit

This account pertains to claims payable on basic contingent benefit - Incurred but not yet Reported (IBNR) amounting to P411,172 as at December 31, 2025 (*see Note 15*). Claims payable on basic contingent benefit – IBNR is the sum of the individual claims that have already occurred but on which notice has not yet been received by the Association. This estimate takes into account any policy reserve liability set up by the Association and any amount recoverable from reinsurers.



Other Benefits Payable

This account pertains other benefits payable on basic policies on individual equity value claims for maturity surrenders and withdrawals of which for one reason or another final action has not been taken either by approving the claims for payment in full or by rejecting it in part or in full amounting to P201,803 as at December 31, 2025.

12. LIABILITY ON EQUITY VALUE

The composition of this account is as follows:

		<u>2025</u>		<u>2024</u>
Members' equity and contributions (<i>see Note 25</i>)	P	53,949,486	P	55,353,289
Liability on individual equity value		18,825,697		19,586,775
Members' deposits		<u>4,634,895</u>		<u>4,951,695</u>
	P	<u>77,410,078</u>	P	<u>79,891,759</u>

Members' Equity and Contributions

Members' equity and contributions payable represents the amount contributed by the members for the Association's operations.

Liability on Individual Equity Value

Liability on individual equity value represents the amount set up by the Association on membership certificates pertaining to at least 50% of the total contributions, as required under the Amended Insurance code, including interest thereon declared by the Board at a rate stated in the approved Implementing Rules and Regulations (IRR) and any other increment declared by the Association, if any and to cover future benefit payments to members based on the amounts recommended by an independent actuary accredited by the Insurance Commission. The actuarial report for 2025 was issued on March 25, 2026 while in 2024 the actuarial report issued on March 10, 2025.

The movement in the liability on individual equity value is presented below:

		<u>2025</u>		<u>2024</u>
Balance at beginning of year	P	19,586,775	P	19,940,372
Allocations during the year (<i>see Note 15</i>)		1,240,294		1,298,725
Withdrawals during the year	(	<u>2,001,372</u>)	(	<u>1,652,322</u>)
Balance at end of year	P	<u>18,825,697</u>	P	<u>19,586,775</u>

Members' Deposits

Members' deposit 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 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 P721,249 and P780,406 in 2025 and 2024, respectively, presented under Operating expenses (*see Note 15*).

13. BASIC CONTINGENT BENEFIT RESERVE

Basic contingent benefit reserve are set up by the Association to cover future death benefit of the members. In 2025 and 2024, the actuarial report was dated March 26, 2026 and March 10, 2025, respectively.

The movement of this account are as follows:

	2025	2024
Balance at the beginning of year	P 111,275	P 121,075
Decrease in contingent benefit reserve (<i>see Note 15</i>)	(10,350)	(9,800)
Balance at the end of year	<u>P 100,925</u>	<u>P 111,275</u>

14. REVENUES

Interest Income

The breakdown of this account is as follows:

	2025	2024
Interest income on:		
Financial assistance receivable (<i>see Note 6</i>)	P 11,194,881	P 16,155,240
Financial assets at amortized cost (<i>see Note 7</i>)	793,090	775,169
Cash in banks (<i>see Note 5</i>)	<u>3,458</u>	<u>3,350</u>
	<u>P 11,991,429</u>	<u>P 16,933,759</u>

Membership Fees, Dues and Contributions

The Association collects P100 as an initial membership fee to be eligible as a member of the Association. As at December 31, 2025 and 2024, the Association has a total of 4,037 and 4,451 members, respectively.

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

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



The member's fees, dues and contributions is allocated as follows:

	2025	2024
Members' contributions	P 1,927,918	P 2,022,595
Membership fees and dues	543,876	1,024,155
	<u>P 2,471,794</u>	<u>P 3,046,750</u>

Miscellaneous income

This account consists of the following:

	2025	2024
Service charges and fees (see Note 6)	P 4,502,506	P 4,241,025
Miscellaneous	4,117	3,270
	<u>P 4,506,623</u>	<u>P 4,244,295</u>

15. EXPENSES

Benefit Expenses

The composition of these accounts are shown below:

	2025	2024
Allocation for liability on individual equity value (see Note 12)	P 1,240,294	P 1,298,725
Provision for unreported claims (see Note 11)	411,172	-
Claims expense	105,000	105,000
Collection fees	49,091	51,286
Increase (decrease) in liability on individual equity value	(2,182)	934
Increase (decrease) in reserve for basic contingent benefit (see Note 13)	(10,350)	(9,800)
	<u>P 1,793,025</u>	<u>P 1,446,145</u>



Operating Expenses

The details of these accounts are shown below:

		2025		2024
Salaries and employee benefits (see Note 16)	P	9,510,804	P	7,849,444
Service fees		1,119,577		1,289,815
Interest on members' deposits (see Note 12)		721,249		780,406
Security		519,717		336,881
Amortization of right-of-use assets (see Note 9)		370,400		359,676
Impairment losses (see Note 6)		337,919		326,065
Communication and utilities		308,234		320,784
Taxes and licenses (see Note 27)		237,426		310,719
Professional fees		233,068		248,754
Repairs and maintenance		102,059		41,310
Interest on lease liabilities (see Note 9)		82,181		103,765
Rentals (see Note 9)		58,000		48,000
Office supplies		45,725		75,168
Depreciation (see Note 8)		34,258		14,082
Transportation and travel		27,483		11,459
Others		898,029		402,845
	P	<u>14,606,129</u>	P	<u>12,519,173</u>

Others include representation and entertainment, allowances and benefits, insurance, dues and subscriptions and bank charges and other year-end expenses.

16. EMPLOYEES' BENEFITS

Expenses recognized for salaries and employee benefits are presented below:

		2025		2024
Salaries and wages	P	6,736,937	P	5,891,347
Employees' welfare and benefits		1,303,200		1,138,166
Social security costs		635,773		546,202
Retirement benefits		834,894		273,728
	P	<u>9,510,804</u>	P	<u>7,849,444</u>

The Association accrues post-employment benefits for its employees in accordance with the provisions of Republic Act No. 7641 (Retirement Pay Law) and PAS 19, *Employee Benefits*. The retirement plan is a defined benefit plan that provides retirement benefits to employees who have reached the retirement age as defined by the law.

As at December 31, 2025 and 2024, no independent actuary has been engaged to determine the defined benefit obligation (DBO). However, the Association has estimated the DBO using reasonable assumptions based on available market data and internal policies.



The assumptions used in the estimation of DBO are as follows:

	<u>2025</u>	<u>2024</u>
Discount rate	4.00%	4.00%
Retiring age (in years)	60	60

The DBO represents the Associations' best estimate of the liability as at December 31, 2025 and 2024. The Association intends to engage an independent actuary in the future to refine these estimates and to reassess the defined benefit obligation and actuarial assumptions in the coming year.

The movement in the DBO as presented in the statements of financial condition are as follows:

	<u>2025</u>	<u>2024</u>
Balance at January 1	P 3,874,088	P 3,600,359
Current service cost	646,535	118,765
Interest cost	188,359	154,964
Benefit paid	-	-
Balance at December 31	<u>P 4,708,982</u>	<u>P 3,874,088</u>

The retirement expense recognized in the operations in respect of the defined benefit post-employment plan are as follows:

	<u>2025</u>	<u>2024</u>
Current service cost	P 646,535	P 118,765
Interest cost	188,359	154,964
	<u>P 834,894</u>	<u>P 273,729</u>

As at December 31, 2025 and 2024, the Company has not set aside any assets specifically for this obligation.

17. TAX EXPENSE

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

The tax expense reported in the statements of operations represents the 20% final tax withheld on interest income on deposits with banks amounting to P159,310 in 2025 and P155,704 in 2024.



18. FUND BALANCE

Assigned Fund Balance

This account consists of the following:

	<u>2025</u>		<u>2024</u>
Members' education and scholarship	P 22,337,010	P	22,337,010
System and equipment improvement	19,495,504		17,580,210
Guaranty fund	14,258,700		13,635,800
Community, research and development	<u>13,348,020</u>		<u>13,348,020</u>
	<u>P 69,439,234</u>	P	<u>66,901,040</u>

The reconciliation of assigned fund balance is presented below:

	<u>2025</u>		<u>2024</u>
Balance at beginning of year	P 66,901,040	P	55,651,055
Transfer to unassigned fund balance	<u>2,538,194</u>		<u>11,249,985</u>
Balance at end of year	<u>P 69,439,234</u>	P	<u>66,901,040</u>

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 Systems and Equipment Improvement

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

Guaranty Fund

Guaranty fund is a restricted and set aside fund in compliance with the Insurance Memorandum Circular (MC) No. 2-2006 required to mutual benefit associations. All existing mutual benefit associations must have a Guaranty fund of P12,500,000.

The Association shall deposit with the Insurance Commission the amount of Guaranty Fund required in government securities with a total value equal to such amount. The Association's Guaranty fund were deposited under Investment Services Division amounted to P14,258,700 and P13,635,800 as at December 31, 2025 and 2024, respectively, which presented as Financial asset at amortized cost in the statements of financial position (*see Note 7*).

As at December 31, 2025 and 2024, the Association complied with the aforementioned memorandum circular.



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.

Free and Unassigned Fund Balance

Free and unassigned fund balance of a mutual benefit association shall only maintain not more than 20% of its total liabilities as verified by the Insurance Commission pursuant to Insurance Commission (IC) Circular Letter (CL) No. 2015-46 and Section 408 of Republic Act No. 10607. Any surplus beyond the 20% limit shall be returned to the members in accordance with the applicable IC Circular Letter. Alternatively, it may be allocated for capacity building, research, or system upgrades, but only with prior IC approval.

The computed excess, if any, is presented as follows as at December 31:

		<u>2025</u>		<u>2024</u>
Total liabilities (including unearned discount)	P	128,560,284	P	126,727,306
Multiply by		20%		20%
Limit		<u>25,712,057</u>		<u>25,345,461</u>
Free and Unassigned Fund Balance, net of				
Non-admitted Assets		<u>24,927,132</u>		<u>25,112,346</u>
	P	<u>784,925</u>	P	<u>233,115</u>

In 2025 and 2024, there is no computed excess surplus on the prescribed limit. Any computed excess surplus is still for certification of IC for mandatory distribution of the Association to its members.

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:

	<u>2025</u>		<u>2024</u>	
	<u>Amount of Transaction</u>	<u>Outstanding Balance</u>	<u>Amount of Transaction</u>	<u>Outstanding Balance</u>
Officers				
Financial assistance Receivables	(P 711,561)	P 1,062,600	P 115,341	P 1,774,161
Interest on financial assistance receivables	80,000	-	123,000	-
Key management personnel				
Compensation	P 6,021,585	P -	P 5,034,059	P -



Receivables with Related Parties

In the ordinary course of business, the Association has transactions with its officers. Under the Association's policy, these receivables are made substantially on the same terms as with other members. As at December 31, 2025 and 2024, the Association's outstanding receivables to related parties amounted to P1,062,600 and P1,774,161, respectively, and are shown as part of Receivables accounts (*see Note 6*).

The movements of these receivables from related parties are presented below:

	<u>2025</u>	<u>2024</u>
Balance at beginning of year	P 1,774,161	P 1,889,502
Releases during the year	504,000	836,100
Collections during the year	(1,215,561)	(951,441)
Balance at end of year	<u>P 1,062,600</u>	<u>P 1,774,161</u>

Interest income earned on these receivables amounted to P80,000 in 2025 and P123,000 in 2024 and are presented as part of Interest on financial assistance receivables in the statements of operations.

Key Management Compensation

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

20. 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, 2025 and 2024, 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.

21. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Association is exposed to a variety of financial risks in relation to financial instruments. The Association's financial assets and liabilities by category are summarized in Note 22. The main types of risks are market risk, credit risk and liquidity risk. The management takes charge of the Association's overall risk management strategies which 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, financial assets at amortized cost and guaranty fund as there are no existing bank borrowings. All other financial assets (such as 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:

2025				
Increase (Decrease) in Basic Points				
	23	68	(23)	(68)
Change on net interest income:				
Cash	P 795	P 541	(P 795)	(P 541)
Receivables	2,574,823	1,750,880	(2,574,823)	(1,750,880)
Financial assets at amortized cost	182,411	124,039	(182,411)	(124,039)
Cumulative total gap	P 2,758,029	P 1,875,460	(P 2,758,029)	(P 1,875,460)
2024				
Increase (Decrease) in Basic Points				
	23	68	(23)	(68)
Change on net interest income:				
Cash	P 771	P 524	(P 771)	(P 524)
Receivables	3,715,705	2,526,679	(3,715,705)	(2,526,679)
Financial assets at amortized cost	178,289	121,237	(178,289)	(121,237)
Cumulative total gap	P 3,894,765	P 2,648,440	(P 3,894,765)	(P 2,648,440)

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 financial assistance 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 condition is shown below:

	2025	2024
Cash	P 8,456,281	P 9,440,572
Financial asset at amortized cost	14,258,700	13,635,800
Receivables - net	155,541,211	153,961,344
	<u>P 178,276,192</u>	<u>P 177,037,716</u>

The Association's concentration of credit risk arises from its receivables which amounted to P155,541,211 and P153,961,344 representing 86.70% and 86.46% of its total assets as at December 31, 2025 and 2024, respectively.

The credit risk for cash in banks and financial assets at amortized cost 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 P1,000,000 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:

	2025					
	Neither Past Due Nor Impaired			Past Due But Not Yet Impaired	Impaired	Total
	High Grade	Standard Grade	Substandard Grade			
Cash	P 8,456,281	P -	P -	P -	P -	P 8,456,281
Financial asset at amortized cost	14,258,700	-	-	-	-	14,258,700
Receivables:						
Financial assistance receivables	198,930,102	-	-	-	5,259,084	204,189,186
Members' contributions due and uncollected	1,700	-	-	-	-	1,700
Unremitted members contributions	200,150	-	-	-	-	200,150
Accrued interest receivable	223,287	-	-	-	-	223,287
	<u>P 222,070,220</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P 5,259,084</u>	<u>P 227,329,304</u>



		2024					
		Neither Past Due Nor Impaired			Past Due But Not Yet Impaired		Total
		High Grade	Standard Grade	Substandard Grade		Impaired	
Cash	P	9,440,572	P -	P -	P -	P -	P 9,440,572
Financial asset at amortized cost		13,635,800	-	-	-	-	13,635,800
Receivables:							
Financial assistance receivables		194,418,380	-	-	-	5,183,245	199,601,625
Members' contributions due and uncollected		12,200	-	-	-	-	12,200
Unremitted members contributions		210,350	-	-	-	-	210,350
Accrued interest receivable		223,016	-	-	-	-	223,016
	P	217,940,318	P -	P -	P -	P 5,183,245	P 223,123,563

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

1. *High Grade or Low-risk Receivables*

These receivables 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 Receivables*

Standard-grade receivables are neither past due nor impaired with partially secured FAR 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 receivables are those where the counterparties are, most likely, not capable of honoring their financial obligations. These receivables include impaired receivables that have continuous receivables collection default issues or past due but not impaired 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 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 Officer. 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:

	2025				
	On Demand	Less than 3 Months	3 to 12 Months	Beyond 1 Year	Total
Financial assets:					
Cash	P 8,476,281	P -	P -	P -	P 8,476,281
Receivables -gross	-	4,131,586	8,933,876	147,734,833	160,800,295
Financial assets at amortized cost	-	-	14,258,700	-	14,258,700
	<u>P 8,476,281</u>	<u>P 4,131,586</u>	<u>P 23,192,576</u>	<u>P 147,734,833</u>	<u>P 183,535,276</u>
Financial liabilities:					
Accounts payable and other liabilities	P -	P 774,868	P -	P -	P 774,868
Claims payable on basic contingent benefit	-	411,172	-	-	411,172
Other benefits payable	-	201,803	-	-	201,803
Basic contingent benefit reserve	100,925	-	-	-	100,925
Liability on equity value	77,410,078	-	-	-	77,410,078
Lease liabilities	-	-	393,321	745,107	1,138,428
	<u>P 77,511,003</u>	<u>P 1,387,843</u>	<u>P 393,321</u>	<u>P 745,107</u>	<u>P 80,037,274</u>
Cumulative total gap	<u>(P 69,034,722)</u>	<u>P 2,743,743</u>	<u>P 22,799,255</u>	<u>P 146,989,726</u>	<u>P 103,498,002</u>
	2024				
	On Demand	Less than 3 Months	3 to 12 Months	Beyond 1 Year	Total
Financial assets:					
Cash	P 9,460,572	P -	P -	P -	P 9,460,572
Receivables - gross	-	4,272,490	5,322,019	149,550,080	159,144,589
Financial assets at amortized cost	-	-	13,635,800	-	13,635,800
	<u>P 9,460,572</u>	<u>P 4,272,490</u>	<u>P 18,957,819</u>	<u>P 149,550,080</u>	<u>P 182,240,961</u>
Financial liabilities:					
Accounts payable and other liabilities	P -	P 873,310	P -	P -	P 873,310
Basic contingent benefit reserve	111,275	-	-	-	111,275
Liability on equity value	79,891,759	-	-	-	79,891,759
Lease liabilities	-	-	319,246	755,026	1,074,272
	<u>P 80,003,034</u>	<u>P 873,310</u>	<u>P 319,246</u>	<u>P 755,026</u>	<u>P 81,950,616</u>
Cumulative total gap	<u>(P 70,542,462)</u>	<u>P 3,399,180</u>	<u>P 18,638,573</u>	<u>P 148,795,054</u>	<u>P 100,290,345</u>

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.



22. CATEGORIES AND FAIR VALUES OF FINANCIAL ASSETS

Carrying Amounts and Fair Values by Category

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

	2025		2024	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<i>Financial Assets</i>				
Cash	P 8,476,281	P 8,476,281	P 9,460,572	P 9,460,572
Receivables	160,800,295	155,541,211	159,144,589	153,961,344
Financial assets at amortized cost	<u>14,258,700</u>	<u>14,258,700</u>	<u>13,635,800</u>	<u>13,635,800</u>
	<u>P 183,535,276</u>	<u>P 178,276,192</u>	<u>P 182,240,961</u>	<u>P 177,057,716</u>
<i>Financial Liabilities</i>				
Accounts payable and other liabilities	P 774,868	P 774,868	P 873,310	P 873,310
Claims payable on basic contingent benefit	411,172	411,172	-	-
Other benefits payable	201,803	201,803	-	-
Basic contingent benefit reserve	100,925	100,925	111,275	111,275
Liability on equity value	77,410,078	77,410,078	79,891,759	79,859,759
Lease liabilities	<u>393,321</u>	<u>393,321</u>	<u>1,074,272</u>	<u>1,074,272</u>
	<u>P 79,292,167</u>	<u>P 79,292,167</u>	<u>P 81,950,616</u>	<u>P 81,950,616</u>

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

i. Cash in banks

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

ii. Receivables, and financial asset at amortized Cost

Receivables, and financial assets at amortized cost are net of any impairment losses. The estimated fair value of Receivables, and financial asset at amortized cost represents the discounted amount of estimated future cash flows expected to be received. Long-term interest-bearing receivables are periodically repriced at interest rates equivalent to the current market rates, to determine the fair value.

iii. Accounts payable and other liabilities, claims payable on basic contingent benefit, Other benefits payable, liability on equity value and basic contingent benefit reserve

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 Accounting Standards, 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.

There were no financial assets and liabilities measured at fair value as at December 31, 2025 and 2024.



23. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

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

The Association sets the amount of capital in proportion to its overall financing structure, i.e. equity and financial liabilities. The Association manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Association may adjust the amount of dividends or interest 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 condition. Capital for the reporting periods under review is summarized as follows:

	2025	2024
Total liabilities	P 84,746,256	P 85,824,704
Total equity	94,657,884	92,246,502
Debt-to-equity ratio	0.90:1.00	0.93:1.00

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:

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



24. NON-ADMITTED ASSETS AND LIABILITIES

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

		2025		2024
Property and equipment	P	68,231	P	10,100
Accrued interest receivable		<u>223,287</u>		<u>223,016</u>
	P	<u>291,518</u>	P	<u>233,116</u>

25. STATEMENT OF CASH FLOWS

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

The Association's recognized right-of-use assets amounting to P1,044,929 in 2025 and P989,346 in 2024, and lease liabilities amounting to P1,138,428 in 2025 and P1,074,272 in 2024 (see Note 9).

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 (see Note 12)	Lease Liabilities (see Note 9)		Total
Balance at January 1, 2025	P	55,353,289	P	1,074,272	P 56,427,561
Cash flows from financing activities:					
Withdrawals	(	1,403,803)	-	(	1,403,803)
Repayments of lease liabilities		-	(444,008)	(	444,008)
Non-cash financing activity					
Renewal during the year		-	425,983		425,983
Interest amortization on lease liabilities		<u>-</u>	<u>82,181</u>		<u>82,181</u>
Balance at December 31, 2025	P	<u>53,949,486</u>	P	<u>1,138,428</u>	P <u>55,087,914</u>



	Members' Equity and Contributions (see Note 12)		Lease Liabilities (see Note 9)		Total
Balance at January 1, 2024	P	58,420,634	P	1,400,607	P 59,821,241
Cash flows from financing activities:					
Withdrawals	(	3,067,345)	-	(	3,067,345)
Repayments of lease liabilities		-	(	430,100)	(430,100)
Non-cash financing activity					
Interest amortization on lease liabilities		-		103,765	103,765
Balance at December 31, 2024	P	<u>55,353,289</u>	P	<u>1,074,272</u>	P <u>56,427,561</u>

26. RECLASSIFICATION OF ACCOUNTS

Certain accounts in the statements of operations were reclassified to conform with the 2025 financial statement presentation of accounts. The effect of reclassification is presented below:

	As Previously Reported		Reclassification		As Reclassified
Revenues	P	22,934,945	P	1,289,859	P 24,224,804
Benefit expenses		885,406		550,739	1,446,145
Operating expenses		11,790,053		729,120	12,519,173

The reclassification was made to conform with the prescribed reporting framework for MBAs and did not affect the results of operations.

27. 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 Accounting Standards.

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 2025.

f. Taxes and Licenses

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

Municipal license and permits	P	171,188
Insurance commission filing and license fee		24,636
Others		<u>41,602</u>
	P	<u>237,426</u>

g. Withholding Taxes

The details of total withholding taxes for the year ended December 31, 2025 are shown below:

Compensation	P	449,518
Expanded		<u>27,607</u>
	P	<u>477,125</u>

h. Deficiency Tax Assessment and Tax Case

As at December 31, 2025, the Association neither has any deficiency tax assessment with the BIR nor tax case outstanding or pending in courts or bodies outside the BIR in any of the open years.

Requirements under Revenue Regulations (RR) 34-2020

On December 18, 2020, the BIR issued RR 34-2020 which prescribes the guidelines and procedures for the submission of BIR Form No. 1709, *Transfer Pricing Documentation (TPD) and other supporting documents*. As at December 31, 2025, the Association is not covered by the requirements and procedures for related party transactions provided under this RR.



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H.V. Dela Costa St., Makati City, 1227 Philippines
T +63 2 8841 0462 • +63 2 8893 0287

**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, 2025, on which we have rendered our report dated April 13, 2026. 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, 2025 are presented for purposes of additional analysis in compliance with the requirements of Revised 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) Accounting Standards:

1. NSPO Form 1 - Sworn Statement Documents/Schedules to the Audited Financial Statements as of December 31, 2025;
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.



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. 10770261, Jan. 9, 2026, Makati City

BIR Accreditation No. 08-002582-001-2023

(issued on Oct. 12, 2023 valid until Oct. 11, 2026)

SEC Accreditation No. 94541-SEC (Group A)

(valid to audit 2023 to 2027 financial statements)

IC Accreditation No. IC-EA-2026-0049-R (Group A)

(valid to audit 2025 to 2027 financial statements)

BSP Accreditation No. 94541-BSP (Group B)

(valid to audit 2021 to 2025 financial statements)

April 13, 2026

FIRM ACCREDITATION

Aquino, Mata, Calica & Associates

BOA Accreditation No. 4275 - valid from June 29, 2023 to June 28, 2026

BIR Accreditation No. 08-002582-000-2023 - issued on October 12, 2023 valid until October 11, 2026

SEC Accreditation No. 4275-SEC (Group A) - valid to audit 2023 to 2027 financial statements

BSP Accreditation No. 4275-BSP (Group B) - valid to audit 2021 to 2025 financial statements

CDA CEA No. 075-AF - valid from January 15, 2025 to January 14, 2030

SWORN STATEMENT

We, **Fortunato L. Dimagiba, Jr.** and **Eariel Fort D. Sante**, 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 2025, to wit:

Documents/Schedules to the Audited Financial Statements as of December 31, 2025	NSPO Forms	Check if Applicable
1. Affidavit of Willingness to be Audited by the Commission	NSPO Form-2	✓
2. Schedule of Receipts or Income or Sources of Funds Other Than Contributions and Donations	NSPO Form-3	✓
3. Schedule of Contributions and Donations	NSPO Form-4	✓
4. Schedule of Application of Funds	NSPO Form-5	
5. Certificate of Existence of Program/Activity (COEP)		
6. COEP issued by Heads/Officers of private institution or actual beneficiaries/recipients of the program/activity shall be allowed in lieu of COEP issued by the government offices/entities		

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

In witness thereof, we have hereunto affixed our signature this 01 day of APRIL, at CITY OF MAKATI, Philippines.

Fortunato L. Dimagiba Jr.
President

Eariel Fort D. Sante
Treasurer

APR 01 2026
Subscribed and sworn to before me, a Notary Public for and in CITY OF MAKATI City on _____ affiants personally, exhibiting their respective competent evidence of Identification Card _____ issued at _____ issued on _____.

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Book No. 1
Series of 2025

ATTY. ADONIS JAN R. ASLARONA NOTARY PUBLIC
Notary Public
Until December 31, 2026
IBP C.R. No. 591537/01-07-2026/Pampanga
Appointment No. M-30 (2025-2026)
Roll of Attorney No. 84603
MCLE Compliance No. VII-0033436
PTR No. 10769145/1-06-2026/Makati City
Unit 1009 Philippine AXA Life Centre, Sen. Gil Puyat,
Avenue Corner, Tindalo Street, Makati City 1286

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

AFFIDAVIT OF WILLINGNESS TO BE AUDITED BY THE COMMISSION

I, **Eariel Fort D. Sante**, of legal age, Filipino and resident of **228 Gabaldon St., San Roque, Cabanatuan City, Nueva Ecija**, after having been sworn to in accordance with law hereby depose and state:

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

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

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

In witness whereof, I hereby sign this affidavit this APR 01 2026 day of _____ 2026, at CITY OF MAKATI

Eariel Fort D. Sante
Eariel Fort D. Sante
 Affiant
 (Signature over Printed Name)

SUBSCRIBED AND SWORN to before me this APR 01 2026, affiant exhibiting to me his _____ issued on _____ at _____ as competent evidence of identity.

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 Book No. 9
 Series of 2026

ATTY. ADONAI R. ASLARONA
 Notary Public
 Until December 31, 2026
 IBP O.R. No. 591537/01-07-2026/Pampanga
 Appointment No. M-30 (2025-2026)
 Roll of Attorney No. 84603
 MCLE Compliance No. VIII-0033436
 PTR No. 10769145/1-06-2026/Makati City
 at 1009 Philippine AXA Life Centre, Sen. Gil Puyat
 Avenue Corner, Tindalo Street, Makati City 1206

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

OTHER

Name of Foundation/Organization:

SEC Registration No.

NOVO ECIJANO TEACHERS' MUTUAL BENEFIT ASSOCIATION, INC.

A200102996

For the Year Ended

December 31, 2025

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/ Covered Period
1	Interest on financial assistance receivables	Members	P 11,194,881.00	December 31, 2025
2	Financial asset at amortized cost	Banks	P 793,090.00	December 31, 2025
3	Interest in banks	Banks	P 3,458.00	December 31, 2025
4	Service charges and fees	Members	P 4,502,506.00	December 31, 2025
5	Others (aggregate of all sources of income which are individually below P100,000.00)	Members	P 4,117.00	December 31, 2025

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, 2025

Part I. Contributors/Donors				
(a) No.	(b) Name and Address	(c) Nationality ³	(d) Total Contributions	(e) Type of Contribution ⁴
1				☐ Cash ☐ Non/Cash <i>(Complete Part II if there is a noncash contribution)</i>
2				☐ Cash ☐ Non/Cash <i>(Complete Part II if there is a noncash contribution)</i>
3				☐ Cash ☐ Non/Cash <i>(Complete Part II if there is a noncash contribution)</i>
4				☐ Cash ☐ Non/Cash <i>(Complete Part II if there is a noncash contribution)</i>
5				☐ Cash ☐ Non/Cash <i>(Complete Part II if there is a noncash contribution)</i>
6				☐ Cash ☐ Non/Cash <i>(Complete Part II if there is a noncash contribution)</i>
7				☐ Cash ☐ Non/Cash <i>(Complete Part II if there is a noncash contribution)</i>
8				☐ Cash ☐ Non/Cash <i>(Complete Part II if there is a noncash contribution)</i>
9				☐ Cash ☐ Non/Cash <i>(Complete Part II if there is a noncash contribution)</i>
10	Other (aggregate of all contributions which are individually below P100,000.00) - by nationality		P 2,471,794	☒ Cash ☐ Non/Cash <i>(Complete Part II if there is a noncash contribution)</i>

(Use separate sheet if necessary)

TOTAL CONTRIBUTIONS/DONATIONS

2,471,794.00

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

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

⁴Contributions or donations reportable on the Schedule are contributions, donations, grants, bequests, devises, and gifts of money or property, amounting to P100,000.00 or more from each contributor or donor.

SCHEDULE OF CONTRIBUTIONS AND DONATIONS (PART II)

Name of Foundation/Organization:

SEC Registration No.

NOVO ECIJANO TEACHERS' MUTUAL BENEFIT ASSOCIATION, INC.

A200102996

For the Year Ended

December 31, 2025

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 2025.		
2			
3			
4			
5			
6			
7			
8			
9			
10			

NOVO ECIJANO TEACHERS MUTUAL BENEFIT ASSOCIATION, INC.
SUPPLEMENTARY SCHEDULE OF EXTERNAL AUDITOR
FEE-RELATED INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(Amounts in Philippine Peso)

	<u>2025</u>	<u>2024</u>
Total Audit Fees (Section 2.1a)	<u>P 85,000</u>	<u>P 80,000</u>
Non-audit services fees:		
Other assurance services	-	-
Tax services	-	-
All other services	<u>P 38,000</u>	<u>P 38,000</u>
Total Non-audit Fees (Section 2.1b)	<u>P 38,000</u>	<u>P 38,000</u>
Total Audit and Non-audit Fees	<u><u>P 123,000</u></u>	<u><u>P 118,000</u></u>
 Audit and Non-audit Fees of Other Related Entities (Section 2.1c)		
	<u>2025</u>	<u>2024</u>
Audit fees	P -	P -
Non-audit services fees:		
Other assurance services	-	-
Tax services	-	-
All other services	<u>-</u>	<u>-</u>
Total Audit and Non-audit Fees of Other Related Entities	<u><u>P -</u></u>	<u><u>P -</u></u>