COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

CN201508615

COMPANY NAME

LAKAN MUTUAL BENEFIT ASSOCIATION, INC.

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

UNIT 704-C, REGALIA PARK TOWERS 150 P. TUAZON BOULEVARD BARANGAY SOCORRO, CUBAO, QUEZON CITY

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

COMPANY INFORMATION

Company's email Address	Company's Telephone Number	Mobile Number
pnpalakanmbai@gmail.com	(02)8643-5066	0917-102-5221

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
N/A	July 8	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Ferdinand M. Garay	pnpalakanmbai@gmail.com	(02)8643-5066	0917-102-5221

CONTACT PERSON's ADDRESS

313 Saint Francisco Road Admiral Village Talon 3, Las Piñas City

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

2 : *All Boxes must be 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.*

Lakan Mutual Benefit Association, Inc.
(A non-stock, non-profit corporation)
Financial Statements as of and for the years ended
December 31, 2023 and 2022
And
Report of Independent Auditors

LAKAN MUTUAL BENEFIT ASSOCIATION, INC
Units 704 & 706, 7/F Tower C, Regalia Park Towers,150-P. Tuazon Ave. Brgy Socorro, Quezon City

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Lakan 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, 2023 and 2022, 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 misstatements, 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 submit the same to the stockholders.

Lopez and Co., CPAs, the independent auditors, appointed by the stockholders has examined the financial statements of the Association in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed the opinion on the fairness of presentation upon completion of such audit.

Tomas G. Rentoy III
Chairman of the Board

Ferdinand M. Garay
President

Mario N. Rariza Jr.
Treasurer

Signed this 16h day of March 2024

Lopez and Co.
Certified Public Accountants
Registered with PCAOB
Based in Washington DC, USA

Independent Auditors' Report

The Board of Trustees and Members
Lakan Mutual Benefit Association, Inc.
(A non-stock, non-profit corporation)
Unit 704-Regalia Park Towers
150 P. Tuason Boulevard, Brgy. Socorro
Cubao, Quezon City

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(Collection Section)

Report on the Audits of the Financial Statements

Opinion

We have audited the financial statements of **Lakan Mutual Benefit Association, Inc.** (the "Association"), which comprise the statement of financial position as of December 31, 2023, and the statement of fund operating performance, statement of changes in fund balance and statement of cash flows for the year 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 position of the Association as of December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Other Matter

The financial statements of the Association as of December 31, 2022, were audited by another auditor whose report dated April 14, 2023 expressed an unmodified opinion on those statements.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audits of the Financial Statements* section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audits of the financial statements in the Philippines, the *Code of Ethics for Professional Accountants in the Philippines*, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 PFRSs, 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

Independent Auditors' Report

The Board of Trustees and Members
Lakan Mutual Benefit Association, Inc.
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Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audits 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 PSAs 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 PSAs, we exercise professional judgment and maintain professional skepticism throughout the audits. 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.

Lopez and Co.

Certified Public Accountants
Registered with PCAOB
Based in Washington DC, USA

Independent Auditors' Report

The Board of Trustees and Members
Lakan Mutual Benefit Association, Inc.
(A non-stock, non-profit corporation)
Unit 704-Regalia Park Towers
150 P. Tuason Boulevard, Brgy. Socorro
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Sa Tamang Buwis, Pag-asenso'y Mabilis

- 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 audits.

Report on Supplementary Information required under Revenue Regulations 15-2010 and Revenue Memorandum Circular No. 19-2019 of the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in **Note 33** to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

LOPEZ AND CO., CPAs

Restituto T. Lopez
CPA Cert. No. 29515
BOA/PRC Reg. No. 1394 (valid until July 1, 2025)
SEC A.N. (Individual) 29515 Group A (valid until January 26, 2025)
SEC A.N. (Firm) 1394 Group A (valid until January 26, 2025)
BSP A.N. (Firm) 1394-BSP Group C (valid until March 7, 2027)
BSP A.N. (Individual) 29515-BSP Group C (valid until March 7, 2027)
IC A.N. (Firm) 1394-IC Group B (valid until November 7, 2026)
IC A.N. (Individual) 29515-IC Group B (valid until November 7, 2026)
BIR A.N. 08—002427—1—2022 (valid until March 15, 2025)
T.I.N. No. 120—964—540
PTR No. 1604898
Issued February 8, 2024
City of Manila, Philippines

City of Manila, Philippines
March 16, 2024

LAC Center
2518 Leiva Street, Sta. Ana
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Lopez and Co.
Certified Public Accountants
Registered with PCAOB
Based in Washington DC, USA

Supplemental Statement of Independent Auditors

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(Collection Section)

The Board of Trustees and Members
Lakan Mutual Benefit Association, Inc.
(A non-stock, non-profit corporation)
Unit 704-Regalia Park Towers
150 P. Tuason Boulevard, Brgy. Socorro
Cubao, Quezon City

We have audited the financial statements of **Lakan Mutual Benefit Association, Inc.** as of and for the year ended December 31, 2023, on which we have rendered the attached report dated March 16, 2024.

In compliance with the Revised Securities Regulation Code (SRC) Rule 68, we are stating that the said Association has no stockholders being a non-stock, not for profit organization.

LOPEZ AND CO., CPAs

Restituto T. Lopez
CPA Cert. No. 29515
BOA/PRC Reg. No. 1394 (valid until July 1, 2025)
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March 16, 2024

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Lakan Mutual Benefit Association, Inc.
(A non-stock, non-profit corporation)
Statements of Financial Position
December 31, 2023 and 2022

	Notes	2023	2022
Assets			
Current Assets			
Cash	3, 5, 6, 7	P 19,421,318	P 7,439,186
Short-term Investment	3, 5, 6, 8	5,729,267	5,389,304
Receivables	3, 4, 5, 6, 9	1,034,500	2,934,680
Prepayments	3, 10	65,600	90,900
Current tax asset		7,996	—
		26,258,681	15,854,070
Non–Current Assets			
Property and equipment	3, 4, 11	6,692,226	3,180,792
Financial assets at FVTOCI	3, 5, 6, 12	221,873	217,493
Deferred tax assets	3, 4	90,301	90,301
Other non-current asset	3, 5, 6, 13	378,428	461,500
		7,382,828	3,950,086
Total Assets		P 33,641,509	P 19,804,156
Liabilities and Equity			
Current Liabilities			
Liability on individual equity value	3, 5, 6, 9, 14	P 18,275,593	P 7,060,673
Basic contingent benefit reserve	3, 5, 6, 15	34,493	273,975
Claims payable on basic contingent benefit	3, 5, 6, 16	—	959,000
Accounts and other payables	3, 5, 6, 17	211,756	833,374
Other current liabilities	3, 18	3,942	2,735
Loans Payable	3, 6, 19	—	500,000
Current tax liability	3	—	5,947
		18,525,784	9,653,704
Non-Current Liabilities			
Loans Payable – net of current portion	3, 6, 19	—	250,000
Other long-term liabilities	3, 20	5,698,957	4,501,760
		5,698,957	4,751,760
		24,224,741	14,405,464
Fund Balance	3, 6, 21	9,416,768	5,416,692
Total Liabilities and Equity		P 33,641,509	P 19,804,156

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See accompanying Notes to Financial Statements.

Lakan Mutual Benefit Association, Inc.
(A non-stock, non-profit corporation)
Statements of Fund Operating Performance
For the years ended December 31, 2023 and 2022

	Notes	2023	2022
Gross Receipts	3, 23, 29	P 17,628,190	P 10,071,203
Benefit Expenses	3, 25	12,020,010	7,629,215
Excess of Receipts over Benefit expenses		5,608,180	2,441,988
Other Income	3, 24	526,527	668,577
Excess of Receipts before operating expenses		6,134,707	3,110,565
Operating Expenses	3, 26	4,796,867	3,279,589
Finance cost	3, 27	37,070	71,875
		4,833,937	3,351,464
Excess of Receipts over expenses/ (Excess of Expenses over receipts)		**P 1,300,770**	**(P 240,899)**

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See accompanying Notes to Financial Statements.

Lakan Mutual Benefit Association, Inc.
(A non-stock, non-profit corporation)
Statements of Changes in Fund Balance
For the years ended December 31, 2023 and 2022

	Notes	Free and Unassigned Fund Balance	Funds Assigned for Guaranty Fund	Total Fund Balance
Balance, December 31, 2021	3, 21	P 688,689	P 5,221,824	P 5,910,513
Excess of expenses over receipts	3	(240,899)	—	(240,899)
Equity refunds on membership termination	3, 21	(252,922)	—	(252,922)
Balance, December 31, 2022	3, 21	194,868	5,221,824	5,416,692
Additional contribution of Board of Trustees		2,699,306	—	2,699,306
Excess of receipts over expenses	3	1,300,770	—	1,300,770
Balance, December 31, 2023	3, 21	**P 4,194,944**	**P 5,221,824**	**P 9,416,768**

See accompanying Notes to Financial Statements.

Lakan Mutual Benefit Association, Inc.
(A non-stock, non-profit corporation)
Statements of Cash Flows
For the years ended December 31, 2023 and 2022

	Notes	2023	2022
Cash flows from operating activities:			
Profit (loss) before tax		P 1,300,770	(P 240,899)
Adjustments for:			
Depreciation	11, 26	197,641	132,022
Amortization of discount		—	(84,450)
Interest income on investment	24	(30,076)	(29,615)
Interest income on bank deposit	24	(8,231)	(1,537)
Operating income (loss) before working capital changes		1,460,104	(224,479)
Decrease (increase) in operating assets:			
Receivables	9	1,900,180	(949,803)
Prepayments	10	25,300	(90,900)
Increase (decrease) in operating liabilities:			
Liability on individual equity value	14	11,214,920	6,969,751
Basic contingent benefit reserve	15	(239,482)	273,975
Claims payable on basic contingent benefit	16	(959,000)	959,000
Accounts and other payables	17	(621,618)	12,214
Other current liabilities	18	1,207	241,412
Cash used in operations		12,781,611	7,191,170
Interest received	24	38,307	1,537
Income tax paid	11	(13,943)	(110,768)
Net cash used in Operating activities		**12,805,975**	**7,081,939**
Cash flows from investing activities:			
Short term investment	8	(339,963)	(5,342,122)
Proceeds from maturity of financial assets at amortized cost	8	—	5,372,615
(Proceeds from) Acquisition of financial assets at FVTOCI	12	(4,380)	(217,493)
Acquisition of property and equipment	11	(3,709,075)	(134,073)
Other funds and deposits	13	83,072	38,500
Net cash (used in) provided by Investing activities		**(3,970,346)**	**(282,573)**
Cash flows from Financing activities			
Repayment of loans	19	(750,000)	(750,000)
Additional contribution from BOT		2,699,306	—
Other long term liabilities	20	1,197,197	801,383
Net cash (used in) provided by Investing activities		**3,146,503**	**51,383**
Net increase in cash		**11,982,132**	**6,849,749**
Cash balance — beginning	3, 5, 6, 7	**7,439,186**	**589,437**
Cash balance — end	3, 5, 6, 7	**P 19,421,318**	**P 7,439,186**

See accompanying Notes to Financial Statements.

Lakan Mutual Benefit Association, Inc.
Notes to Financial Statements
(A non-stock, non-profit corporation)
December 31, 2023 and 2022

1. Corporate Information

Lakan Mutual Benefit Association, Inc. is a non-stock and non-profit corporation organized under the laws of the Republic of the Philippines and was registered with the Philippine Securities and Exchange Commission (SEC) on May 5, 2015. The Association aims to foster brotherhood, mutual help and benefit among its members and to encourage the habit of thrift savings. It also aims to provide financial or material assistance to members and their families in case of death, losses, emergency needs or distress, as maybe authorized under the Revised Administrative Code and other pertinent rules and regulations issued by the Insurance Commission.

The Association's principal place of business is at Unit 704-C, Regalia Park Towers, 150 P. Tuazon Boulevard, Barangay Socorro, Cubao, Quezon City and is domiciled in the Philippines.

On September 21, 2023, the Insurance Commission (IC) approved the renewal of the Association's license to transact business as Mutual Benefit Association and is valid until December 31, 2025.

In 2023, the Insurance Commission approved the insurance policy and loan products it can offer to its members. These are as follows:

- The membership certificates which include the Basic death benefit, Basic accident benefits, Equity value, Cash surrender value, Divisible surplus and Contribution loan.
- Amended Basic Life Insurance Plan incorporating changes in benefits, monthly contribution, and administrative expense.
- The new loan products are Contribution Loan (Equity), Salary Loan, Emergency Loan, Calamity Loan, Housing and Repair Loan, Car/Motorcycle Loan and IT Equipment Loan.

The Association adopted a calendar year accounting period and was registered as Non-VAT Taxpayer with the Bureau of Internal Revenue (BIR) with assigned Taxpayer Identification No. 009-022-312-0000, at Revenue District Office No. 040.

The Association as a Mutual benefit Association is exempt from Tax as provided for under Sec. 30 of the National Internal Revenue Code.

The financial statements of the Association as of and for the year ended December 31, 2023 were reviewed by and authorized for issuance by the Board of Trustees on March 16, 2024.

The Board of Trustees is empowered to make revisions on the financial statements even after the date of issue.

2. Financial Reporting Framework

Statement of Compliance

The financial statements of the Association have been prepared in accordance with Philippine Financial Reporting Standards (PFRS), which includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), Philippine Interpretations Committee (PIC) and Standing Interpretations Committee (SIC) as approved by the Financial Reporting Standards Council (FRSC) and Board Of Accountancy (BOA) and adopted by the SEC.

In accordance with the Revised Securities Regulation Code (SRC) Code Rule 68, the Association adopted PFRS, being a holder of secondary license issued by the Insurance Commission.

Functional and Presentation Currency

These financial statements are presented in Philippine Peso, the currency of the primary economic environment in which the Association operates. All amounts are rounded to the nearest peso, except when otherwise indicated.

Basis of Preparation

These financial statements have been prepared on the historical cost basis unless otherwise indicated.

Reclassifications in 2023 Financial Statements

Management reclassified certain 2022 accounts to conform with the presentation of account balances in 2023. Details are shown below:

		As previously Reported As at December 31, 2022	Adjustments	Should be reported as at January 1, 2023
Accounts				
Current Assets				
Financial assets at Amortized cost	(a)	P 5,389,304	(P 5,389,304)	P —
Short-term Investment	(a)	—	5,389,304	5,389,304
Other funds and deposit	(c)	461,500	(461,500)	—
Other non-current asset	(c)	—	461,500	461,500
Total Assets		**P 5,850,804**	**P —**	**P 5,850,804**
Liabilities and equity				
Current Liabilities				
Accounts and other payables	(b)	P 836,109	(P 2,735)	P 833,374
Other current liabilities	(b)	—	2,735	2,735
Total Liabilities		**P 836,109**	**—**	**P 836,109**
Expenses				
Income tax expense	(d)	(P 59,809)	59,809	P —
Benefit expense	(d)	7,689,024	(59,809)	7,629,215
Total Expenses		**P 7,629,215**	**P —**	**P 7,629,215**

(a) Reclassification adjustment pertains to financial assets at amortized cost of P 5,389,304.
(b) Reclassification adjustment pertains to statutory liabilities of P 2,735 included under accounts and other payables.

(c) Reclassification adjustment pertains to other funds and deposits of P 461,500 which was grouped in 2023 in Other non-current assets.
(d) Reclassification adjustment pertains to its tax exemption under Sec. 30 of NIRC.

3. Material Accounting Policy Information

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

Financial Assets and Liabilities

Date of Recognition. The Company recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial Recognition and Measurement. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

Classification. The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at fair value through other comprehensive income (FVOCI). Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Company's business model and its contractual cash flow characteristics.

Financial Assets at FVOCI. For debt instruments that meet the contractual cash flow characteristic and are not designated at FVPL under the fair value option, the financial assets are measured at FVOCI if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For equity instruments, the Company may irrevocably designate the financial asset to be measured at FVOCI in case the above conditions are not met.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment losses of debt instruments measured at FVOCI are recognized directly in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in OCI are reclassified from equity to profit or loss as a reclassification adjustment.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. Foreign currency gains or losses and unrealized gains or losses from equity instruments are recognized in OCI and presented in the equity section of the statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods.

The Association elected to classify irrevocably its non-listed equity investments under this category. **(Note 12)**

Financial Assets at Amortized Cost. Financial assets shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As of December 31, 2023 and 2022, the Company's cash, short term investment and receivables are classified under this category (**Notes 7, 8 and 9).**

***Financial Liabilities at Amortized Cost*.** Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Association having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

As of December 31, 2023 and 2022, the Association's accounts and other payables, liability on individual equity value and loans payable are classified under this category (**Notes 14, 17 and 19**).

Impairment of Financial Assets

The Association recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Association expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in three stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL).

For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). Those accounts with contract payments that are more than 30 days past due are assumed to have significant increase in credit risk.

For those accounts that show evidence of impairment, a lifetime ECL is recognized and interest income is computed based on the new carrying amount of the financial asset. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows such as changes in arrears or economic conditions that correlate with defaults. The Association considers a financial asset to be impaired when contractual payments are more than 90 days past due. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Derecognition of Financial Assets and Liabilities

Financial Assets. A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired;

- the Association retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Association has transferred its right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Association has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Association's continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Association could be required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statements of comprehensive income.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Association could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in the statements of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

Classification of Financial Instrument between Liability and Equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;

- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Association; or

- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Association does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Prepayments

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to expense as they are consumed or expired at the passage of time.

Prepayments are classified in the statements of financial position as current asset when the expenses related to the prepayment are expected to be incurred within one year or the Association's normal operating cycle, whichever is longer. Otherwise, prepayments are classified as non-current assets.

Property and Equipment

Property and equipment are initially measured at cost. The cost of an item of property, plant and equipment comprises:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;

- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and

- the initial estimate of the future costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

At the end of each reporting period, items of property and equipment are measured at cost less any subsequent accumulated depreciation and impairment losses.

Depreciation is computed on the straight-line method based on the estimated useful lives of the assets as follows:

IT equipment	5 years
Office furniture, fixtures, and equipment	12 years
Building and building improvements	50 years

When assets are sold, retired or otherwise disposed of, the cost and their related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized for the period.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is credited or charged to current operations.

Impairment of Non-Financial Assets

At each reporting date, non-financial assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in statements of comprehensive loss.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in statements of comprehensive loss.

Derecognition of Non-Financial Assets

Items of non-financial assets are derecognized when these assets are disposed of or when no future economic benefits are expected from these assets. Any difference between the carrying value of the asset derecognized and net proceeds from derecognition is recognized in profit or loss.

Other Current Liabilities

Other current liabilities represent statutory obligations mandated by government regulations such as withholding taxes, VAT payable, output VAT, deferred output VAT and social security liabilities in the form of SSS payable, Pag-ibig payable, Phil Health payable, but never classified as financial liability. These are presented in the financial statements at undiscounted amount.

Basic Contingent Benefit Reserve

The Association's basic contingent benefit reserve refers to the total actuarial reserve established for the basic life benefit in force as of the end of the reporting period. These reserves are established to ensure that the Association has adequate funds to meet its contractual obligations as they become due.

Claims Payable on Basic Contingent Benefit

This account represents benefits claim on membership certificates filed or reported to the

Association but not yet paid as of the end of the reporting period. This includes claims in the course of settlement which represents the sum of the individual claims on membership certificates on which the Association has already received notice of claim but on which, for one reason or another, final action has not been taken either approving the claims for payment in full or rejecting it in part or in full.

Fund Balance

Fund balance represents accumulated excess of receipts over expenses of the association.

Free and Unassigned Fund Balance

This represents portion of the fund balance that is not restricted.

Funds Assigned for Guaranty Fund

This represents portion of the fund balance that is restricted for use, in compliance with Sec. 405 of the Insurance Code (as amended by R.A. No. 10607)

Membership Benefits Ceded to Reinsurers

The Association entered into a Memorandum of Agreement with life insurance cooperative where Reinsurance of life risks under this agreement shall be on Group Yearly Renewable Term (GYRT) covering principally natural death. Accidental death as well as total and permanent disability may also be covered when availed of and underwritten by the Association on all of its present and future members who are eligible for insurance coverage.

The Association entered into a Memorandum of Agreement with a dental network corporation which offer special healthcare package program to include health care and dental benefits.

The Association entered into a Memorandum of Agreement with a memorial care plan in the desire to help its Members avail of an effective pre-need memorial services plan.

Revenue Recognition

Gross Receipts is recognized to the extent that the revenue can be reliably measured, it is probable that the economic benefits will flow to the Association, and the costs incurred or to be incurred can be measured reliably.

Members' Contributions

This represents contribution given by the members in exchange for the promises of the Association to pay a stipulated sum in the event of a loss covered under the basic benefits indicated in the Internal Rules and Regulations (IRR) of the Association and/or membership certificates.

Members' Fees and Dues

This represents fees and dues collected from individuals to maintain their membership in the Association.

Experience Refund

This represents the refund received from insurers and reinsurers arising from favorable claims experience over a given period.

Penalties and Surcharges

This represents the amount of penalties and surcharges imposed upon members/policyholders due to late payments of contributions and/or premiums.

Interest Income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Association and the amount of revenue can be measured reliably. Interest revenue is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Miscellaneous Income

This represents income received or earned from various sources which cannot be properly classified under any of the revenue accounts.

Other Income

Other income is recognized when there is an incidental economic benefit, other than the usual business operations, that will flow to the Association through an increase in asset or reduction in liability and that can be measured reliably.

Expense Recognition

Expenses are recognized when a decrease in future economic benefit related to a decrease of an asset or an increase of a liability has arisen that can be measured reliably. Expenses are recognized in profit or loss on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the Association with income can only be broadly or indirectly determined; or immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, cease to qualify, for recognition in the Association's statements of financial position as an asset.

Expenses in the statements of fund operating performance are presented using the function of expense method. Benefit expense refer to claims expenses, increase on liability on individual equity, basic contingent benefit cost and other direct expense. Operating expenses are costs attributable to administrative and other business activities of the Association.

Related Party Relationships and Transactions

Related party transactions are transfers of resources, services or obligations between the Association and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Association; (b) associates; (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; and, (d) the Association's funded retirement plan.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are recognized when the Association has a present obligation, either legal or constructive, as a result of a past event, it is probable that the Association will be required to settle the obligation through an outflow of resources embodying economic benefits, and the amount of the obligation can be estimated reliably.

The amount of the provision recognized is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. A provision is measured using the cash flows estimated to settle the present obligation; its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

If it is no longer probable that a transfer of economic benefits will be required to settle the obligation, the provision should be reversed.

Basic contingency reserve is set on membership certificates to meet contractual obligation, other than the member's equity value, as it falls due.

Changes in accounting policies, change in accounting estimates and correction of prior years errors

The Association apply changes in accounting policy if the change is required by PFRS or in order to provide reliable and more relevant information about the effects of transactions, other events or conditions on the Association's financial statements. Changes in accounting policy brought about by new accounting standards are accounted for in accordance with the specific transitional provision of the standards. All other changes in accounting policy are accounted for retrospectively.

Changes in accounting estimates are recognized prospectively by reflecting it in the profit and loss in the period of the change if the changes affects that period only or the period of the change or future period if the change affects both.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that was available when financial statements for those periods were authorized for issue and could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

To the extent practicable, the Association corrects a material prior period error retrospectively in the first financial statements authorized for issue after its discovery by restating the comparative amounts for the prior periods(s) presented in which the error occurred, or if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and fund balance for period presented.

When it is impracticable to determine the period-specific effects of an error on comparative information for one or more prior periods presented, the Association restates the opening balances of assets, liabilities and fund balance for the earliest period for which retrospective restatement is practicable.

Events after Reporting Date

Subsequent events that provide additional information about conditions existing at reporting date (adjusting events) are recognized in the financial statements. Subsequent events that provide additional information about conditions existing after reporting date (non-adjusting events) are disclosed in the notes to financial statements.

4. Significant Accounting Judgments and Estimates

The preparation of the financial statements in accordance with Philippine Financial Reporting Standards requires the Association to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying 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 Management Judgments in Applying Accounting Policies

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

a) Determination of ECL on Receivables

The Association uses a provision matrix to calculate ECL for trade, notes receivable and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is based on the Association's historical observed default rates. The Association's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions). Details about the ECL on the Association's receivables are disclosed in **Note 6.**

b) Evaluation of Business Model Applied in Managing Financial Instrument

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

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

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

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

Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

a) Estimation of Allowance for ECL

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

b) Estimating Useful Lives of Property and Equipment

The Association estimates the useful life of property and equipment based on the period over which the property and equipment are expected to be available for use. The estimated useful life of the 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 property and equipment. In addition, the estimation of the useful life of property and equipment is based on the collective assessment of industry practice, internal technical evaluation and experience with similar assets.

It is possible; however, that future financial performance could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful life of the property and equipment would increase the recorded expenses and decrease the noncurrent assets. The estimated useful life and depreciation method are reviewed from time to time to ensure that these are consistent with the expected economic benefits of the property and equipment.

The useful lives and depreciation method of the Association's property and equipment has not changed during 2023 and 2022.

As of December 31, 2023 and 2022, the net carrying amounts of the Association's property and equipment amounted to P 6,692,226 and P 3,180,792, respectively. **(Note 11)**

5. Financial Risk Management Objectives and Policies

Credit Risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Association. The Association's credit risk arises principally from the Association's trade and other receivables.

Exposure to credit risk is monitored on an ongoing basis. Credit checks are being performed on all members requesting credit over certain amounts. Credit is not extended beyond authorized limits, established where appropriate through consultation with a professional credit vetting organization. Credit granted is subject to regular review, to ensure it remains consistent with the members' current credit worthiness and appropriate to the anticipated volume of activities.

The investment of the Association's cash resources is managed so as to minimize risk while seeking to enhance yield. The Association's holding of cash and money market placements exposes the Association to credit risk of the counterparty if the counterparty is unwilling or unable to fulfill its obligations and the Association consequently suffers financial loss. Credit risk management involves entering into financial transactions only with counterparties with acceptable credit rating.

The treasury policy sets aggregate credit limits of any one counterparty and Management annually reviews the exposure limits and credit ratings of the counterparties

Receivable balance is being monitored on a regular basis to ensure timely execution of necessary intervention efforts.

The carrying amount of financial assets as at December 31, 2023 and 2022 represents the maximum credit exposure. The maximum exposure to credit risk at the reporting dates is as follows:

	Notes	**2023**	**2022**
Cash	**3, 7**	P 19,412,318	P 7,430,186
Short-term investment	**3, 8**	5,729,267	5,389,304
Receivables*	**3, 9**	969,770	2,865,950
Financial assets at FVTOCI	**3, 12**	221,873	217,493
Other non-current assets	**3, 13**	378,428	461,500
		P 26,711,656	P 16,364,433

The table below shows the credit quality by class of financial assets of the Association:

2023

	Notes	**High Grade**	**Medium Grade**	**Low Grade**	**Total**
Cash	**3, 7**	P19,412,318	P —	P —	P 19,412,318
Short-term investment	**3, 8**	5,729,267	—	—	5,729,267
Receivables*	**3, 9**	969,770	—	—	969,770
Financial assets at FVTOCI	**3, 12**	221,873	—	—	221,873
Other non-current asset	**3, 13**	378,428	—	—	378,428
		P26,711,656	P —	P —	P 26,711,656

2022

	Notes	**High Grade**	**Medium Grade**	**Low Grade**	**Total**
Cash	**3, 7**	P 7,430,186	—	—	P 7,430,186
Short-term investment	**3, 8**	5,389,304	—	—	5,389,304
Receivables*	**3, 9**	2,865,950	—	—	2,865,950
Financial assets at FVTOCI	**3, 12**	217,493	—	—	217,493
Other non-current asset	**3, 13**	461,500	—	—	461,500
		P16,364,433	P —	P —	P 16,364,433

**Excluding advances to employees amounting to P 64,730 and P 68,730 in 2023 and 2022, respectively.*

The credit quality of the financial assets was determined as follows:

Receivables

- High grade - These are receivables from counterparties with no default in payment.
- Medium - These are receivables from counterparties with up to three defaults in payment.
- Low - These are receivables from counterparties with more than three defaults in payment.

Cash in banks are considered good quality (High Grade) as this pertains to deposits in reputable banks.

Liquidity Risk

Liquidity Risk

Association manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The following tables detail the Association's remaining contractual maturity for its non-derivative financial liability with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Association can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. The contractual maturity is based on the earliest date on which the Association may be required to pay.

The following table presents the maturity profile of the Association's financial liabilities as at December 31, 2023 and 2022 based on contractual undiscounted payments.

December 31, 2023

	Notes	Within 1 year	1-5 years	Over 5 years	Total
Liability on individual Equity value	3, 14	P 18,275,593	P —	P —	P 18,275,593
Basic contingent benefit reserve	3, 15	34,493	—	—	34,493
Claims payable on basic contingent Benefits-in course of settlement	3, 16	—	—	—	—
Accounts payables and others	3, 17	211,756	—	—	211,756
Loans payable	3, 19	—	—	—	—
Other long- term liabilities	3, 20	5,698,957	5,698,957	—	5,698,957
		P 18,521,842	P 5,698,957	P —	P 24,220,799

December 31, 2022

	Notes	Within 1 year	1-5 years	Over 5 years	Total
Liability on individual Equity value	3, 14	P 7,060,673	P —	P —	P 7,060,673
Basic contingent benefit reserve	3, 15	273,975	—	—	273,975
Claims payable on basic contingent Benefits-in course of settlement	3, 16	959,000	—	—	959,000
Accounts payables and others	3, 17	833,374	—	—	833,374
Loans payable	3, 19	500,000	250,000	—	750,000
Other long- term liabilities	3, 20	—	4,501,760	—	4,501,760
		P 9,627,022	P 4,751,760	P —	P 14,378,782

The following table details the Association's expected maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Association's liquidity risk management as the liquidity is managed on a net asset and liability basis.

December 31, 2023

	Notes	Within 1 year	1-5 years	Over 5 years	Total
Cash	3, 7	P 19,421.318	P —	P —	P 19,421,318
Short-term Investment	3, 8	5,729,267	—	—	5,729,267
Receivables*	3, 9	969,770	—	—	969,770
Financial assets at FVTOCI	3, 12	221,873	221,873	—	221,873
Other non-current asset	3, 13	—	378,428	—	378,428
		P 26,120,355	P 600,301	P —	P 26,720,656

December 31, 2022

	Notes	Within 1 year	1-5 years	Over 5 years	Total
Cash	3, 7	P 7,439,186	P —	P —	P 7,439,186
Short-term Investment	3, 8	5,389,304	—	—	5,389,304
Receivables*	3, 9	2,865,950	—	—	2,865,950
Financial assets at FVTOCI	3, 12	—	217,493	—	217;493
Other non-current assets	3, 13	—	461,500	—	461,500
		P 15,694,440	P 678,993	P —	P 16,373,433

**Excluding advances to employees amounting to P 64,730 and P 68,730 in 2023 and 2022, respectively*

The Association's total current liabilities as of December 31, 2023 and 2022 amounted P 18,525,784 and P 9,635,704, respectively, which are less than its total current assets of P 26,258,681 and P 15,854,070 as of December 31, 2023 and 2022, respectively. Thus, the Association has sufficient funds to pay for its current liabilities and has minimal liquidity risk.

6. Capital Risk Management

The Association's objectives when managing capital are to increase the value of members investment and maintain high growth by applying free cash flow to selective investments. The Association sets strategies with the objective of establishing a versatile and resourceful financial management and capital structure.

The Association's Corporate Treasury has overall responsibility for monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Association's external environment and the risks underlying the Association's business operations and industry.

The Association manages its capital structure and makes adjustments to it in light of challenges in economic conditions. To maintain or adjust the capital structure, the Association may adjust the dividend payment to members and/or enhancing the equity value or providing additional benefits to members.

The Association monitors capital on the basis of the debt-to-equity (fund balance) ratio which is calculated as total debt divided by total equity. Total debt is equivalent to trade and other payables, due to related parties and loans payable. Total equity (fund balance) comprises mainly of the free and unassigned fund balance and funds assigned for guaranty fund.

Under Sec. 405 of the Insurance Code of the Philippines (as amended by R.A. No. 10607), mutual benefit associations are required to establish a guaranty fund by depositing with the Insurance Commission an initial amount of five million pesos (P5,000,000) in cash, or in government securities with a total value equal to such amount, to answer for any valid benefit claim of any of its members. The Association has complied with this requirement.

The Association is also required under Sec. 408 of the Insurance Code of the Philippines to only maintain free and unassigned surplus of not more than twenty percent (20%) of its total liabilities as verified by the Commissioner. Any amount in excess shall be returned to the members by way of dividends, enhancing the equity value or providing benefits in kind and other relevant services.

The Association is in compliance with these requirements. There were no changes in the Association's approach to capital management as at December 31, 2023.

Risk-based capital requirements (RBC)

Insurance Memorandum Circular (IC) No. 11-2006 which provides for the adoption of the Risk-based Capital (RBC) Framework for mutual benefit associations (MBAs) to establish the required amounts of members' equity to be maintained by MBAs in relation to their investment and insurance risk, requires every MBA to maintain a minimum RBC ratio of 100% and not fail the Trend Test.

The RBC ratio shall be calculated as member's equity divided by the RBC requirements whereas, members' equity is defined as admitted assets minus all liabilities inclusive of actuarial reserves and other policy obligations. The final amount of the RBC ratio can be determined only after the accounts of the Association have been examined by the IC specifically as to admitted and non-admitted assets as defined under the same code. In 2022, the RBC ratio was 566% as shown below:

		2022
Member's equity	P	3,877,770
RBC requirement		1,144,031
RBC ratio		**566%**

Fair Value Measurement

The following table presents the carrying amounts and fair values of the Association's assets and liabilities measured at fair value and for which fair values are disclosed, and the corresponding fair value hierarchy:

		2023			
			Fair Value		
	Note	**Carrying Amount**	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Financial assets at Amortized cost					
Cash	3, 7	19,412,318	—	19,412,318	—
Short-term Investment	3, 8	5,729,267		5,729,267	
Receivables*	3, 9	969,770		969,770	
Financial assets at FVTOCI	3,12	221,873		221,873	
Other non-current assets	3,13	378,428		378,428	
		26,711,656	**—**	**26,711,656**	**—**

		2023			
			Fair Value		
	Note	Carrying Amount	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial Liabilities at Amortized cost					
Liability on individual equity value	14	18,275,593	—	18,275,593	—
Basic contingent benefit reserve	15	34,493	—	34,493	—
Claims payable on basic contingent benefit-in course settlement	16	—	—	—	—
Accounts and other payables	17	211,756	—	211,756	—
Loans payables	19	—	—	—	—
Other long-term liabilities	20	5,698,957	—	5,698,957	—
		24,220,799	—	**24,220,799**	—

		2022			
			Fair Value		
	Note	Carrying Amount	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial assets at Amortized cost					
Cash	3, 7	7,430,186	—	7,430,186	—
Short-term investment	3, 8	5,389,304	—	5,389,304	—
Receivables*	3, 9	2,865,950	—	2,865,950	—
Financial assets at FVTOCI	3, 12	217,493	—	217,493	—
Other non-current assets	3, 13	461,500	—	461,500	—
		16,364,433	—	**16,364,433**	—
Financial Liabilities at Amortized cost					
Liability on individual equity value	3, 14	7,060,673	—	7,060,673	—
Basic contingent benefit reserve	3, 15	273,975	—	273,975	—
Claims payable on basic contingent benefit-in course settlement	3, 16	959,000	—	959,000	—
Accounts and other payables	3, 17	833,374	—	833,374	—
Loans payables	3, 19	750,000	—	750,000	—
Other long-term liabilities	3, 20	4,501,760	—	4,501,760	—
		14,378,782	—	**14,378,782**	—

**Excluding advances to employees amounting to P 64,730 and P 68,730 in 2023 and 2022, respectively.*

The carrying amounts of financial assets and financial liabilities approximate their fair values due to the short-term nature of these transactions.

During 2023 and 2022, there neither were any transfers between level 1 and level 2 nor any transfer into and out of level 3.

7. Cash

This account consists of:

	Notes	2023	2022
Petty cash fund		P 9,000	P 9,000
Cash in banks		19,412,318	7,430,186
	3, 6	**P 19,421,318**	**P 7,439,186**

Interest income earned on bank deposits amounted to P 8,231 and P 1,537 in 2023 and 2022, respectively, which was subjected to final tax (**Notes 3 and 24**).

8. Short-term Investment

This account refers to short-term investment in treasury bills of P 5,729,267 and P 5,389,304 as of December 31, 2023 and 2022, respectively, earning interest of 16.1525%.

This represents guaranty deposits with the Insurance Commission to answer for any valid benefit claim of the Association's member, in compliance with SEC. 405 of the Insurance Code of the Philippines (as amended by R.A. No. 10607).

The investment held as of December 31, 2022 matured on April 26, 2023. On June 21, 2023, the Association acquired treasury bills with a face value amounting to P 6,000,000 which will mature on June 19, 2024.

Interest income from investment amounted to P 30,076 and P 29,615 in 2023 and 2022, respectively, and form part of other income in **Note 29**.

No impairment loss was recognized with respect to the Association's short-term investment in 2023 and 2022.

9. Receivables

	Notes	2023	2022
Amount Recoverable from Re-Insurers		P 6,090	P 50,000
Receivable - Others		477,980	475,950
Members Contributions Due and Uncollected		938,100	2,340,000
Advances to Employees		64,730	68,730
Allowance for probable loss-other current receivable		(452,400)	–
	3, 5, 6	**P 1,034,500**	**P 2,934,680**

Members' contributions due and uncollected represents contributions due and uncollected at the end of the reporting period on all membership certificates which are classified as in force on the Association's valuation records.

Advances to employees are advances for travel and other official cash advances subject to liquidation.

Others pertains to insurance premium receivable from cadet members.

Other than the allowance for probable loss on other receivables of P 452,400, the Association's receivables are deemed highly collectible. No allowance for credit loss was recognized in 2022.

10. Prepayments

This account refers to prepaid CA renewal of P 65,600 and P 90,900 as of December 31, 2023 and 2022, respectively. **(Note 3)**

11. Property and Equipment

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2023 and 2022 is shown below:

2023 — **In Philippine Pesos**

	12/31/2022	Additions	Disposals	12/31/2023
Cost				
Building and Building Improvement	2,961,672	3,593,062	—	6,554,734
IT Equipment	222,095	49,000	—	271,095
Office Furniture, Fixtures and Equip.	192,322	67,013	—	259,335
	3,376,089	**3,709,075**	—	**7,085,164**
Accumulated Depreciation				
Building and Building Improvement	88,929	103,331	—	192,260
IT Equipment	54,056	49,739	—	103,795
Office Furniture, Fixtures and Equip.	52,312	44,571	—	96,883
	195,297	**197,641**	—	**392,938**
Carrying Amount				
Building and Building Improvement	2,872,743	—	—	6,362,474
IT Equipment	168,039	—	—	167,300
Office Furniture, Fixtures and Equip.	140,010	—	—	162,452
	3,180,792	—	—	**6,692,226**

2022 — **In Philippine Pesos**

	12/31/2021	Additions	Disposals	12/31/2022
Cost				
Building and Building Improvement	2,961,672	—	—	2,961,672
IT Equipment	123,000	99,095	—	222,095
Office Furniture, Fixtures and Equip.	157,344	34,978	—	192,322
	3,242,016	**134,073**	—	**3,376,089**

2022

	In Philippine Pesos			
	12/31/2021	**Additions**	**Disposals**	**12/31/2022**
Accumulated Depreciation				
Building and Building Improvement	29,695	59,234	—	88,929
IT Equipment	15,523	38,533	—	54,056
Office Furniture, Fixtures and Equip.	18,057	34,255	—	52,312
	63,275	**132,022**	—	**195,297**
Carrying Amount				
Building and Building Improvement	2,931,977	—	—	2,872,743
IT Equipment	107,477	—	—	168,039
Office Furniture, Fixtures and Equip.	139,287	—	—	140,010
	3,178,741	—	—	**3,180,792**

There were no fully depreciated property and equipment still in use as of December 31, 2023 and 2022.

No property and equipment have been pledged as security for liabilities and there were no contractual commitments for the acquisition of property and equipment as of December 31, 2023 and 2022.

Management believes that there is no indication that the Association's property and equipment are impaired.

12. Financial assets at FVTOCI

This account refers to Preferred Bonds – Climbs Life & Gen. Insurance of P 221,873 and P 217,493 as of December 31, 2023 and 2022, respectively. **(Notes 3, 5 and 6)**

No portion of the financial assets at FVTOCI have been pledged for any liability of the Association as at December 31, 2023 and 2022.

13. Other Non-Current Assets

This account consists of:

	Notes	**2023**	**2022**
Other funds and deposit		P —	P 461,500
Other Loan Receivable		378,428	—
	3, 5, 6	**P 378,428**	**P 461,500**

The Association's other funds and deposits pertain to restricted funds set aside for the funding of statutory and other reserves, such as retirement and other funds. These reserves may be held in the form of time deposits or other securities which are convertible to cash as needed.

14. Liability on individual equity value

This account refers to Liability on individual equity value of P 18,275,593 and P 7,060,673 as of December 31, 2023 and 2022, respectively. **(Notes 3, 5 and 6)**

The Association's liability on equity value represents 50% equity value on the total amount of obligations set-up by the Association on membership certificates, as required under the Insurance Code, and any incremental amount declared by the association.

15. Basic contingent benefit reserve

This account refers to Basic contingent benefit reserve of P 34,493 and P 273,975 as of December 31, 2023 and 2022, respectively. **(Notes 3, 5 and 6)**

The Association's basic contingent benefit reserve refers to the total actuarial reserve established for the basic life benefit in force as of the end of the reporting period. These reserves are established to ensure that the Association has adequate funds to meet its contractual obligations as they become due.

16. Claims payable on basic contingent benefit

This account refers to Claims payable on basic contingent benefit of P -0- and P 959,000 as of December 31, 2023 and 2022, respectively. **(Notes 3, 5 and 6)**

This account represents benefits claim on membership certificates filed or reported to the Association but not yet paid as of the end of the reporting period. This includes claims in the course of settlement which represents the sum of the individual claims on membership certificates on which the Association has already received notice of claim but no final action has been taken either approving the claims for payment in full or rejecting it in part or in full.

17. Accounts and Other Payables

This account consists of:

	Notes		2023		2022
Other Accounts Payable		P	150,256	P	661,783
Members Contribution Received in Advance			61,500		38,700
Other Accrued Expenses			—		129,130
Accrued Utilities			—		3,761
	3, 5, 6	**P**	**211,756**	**P**	**833,374**

Member's contributions received in advance represents member contributions received but not yet due/earned as of the end of the accounting period and which is expected to become due within one year.

18. Other Current Liabilities

This account refers to SSS/EC/Pagibig/Philhealth Contribution Payable of P 3,942 and P 2,735 as of December 31, 2023 and 2022, respectively. **(Note 3)**

19. Loans Payable

On June 15, 2021, the Association obtained an unsecured loan amounting to P1,500,000 which was used to purchase a condominium unit and is payable in 5 years. This loan is subject to a fixed interest rate of 5% per annum and was fully paid in 2023.

Details are as follows:

Loan Payable	**Notes**	**2023**	**2022**
Current portion		P —	P 500,000
Long term portion		—	250,000
		P —	P 750,000

The movement of the loan payable is as follows:

	2023	**2022**
Beginning balance	P 750,000	P 1,500,000
Proceeds from loans	—	—
Payment of loans	(750,000)	(750,000)
	P —	P 750,000

Interest expense from loans amounted to P 37,070 and P 71,875 in 2023 and 2022, respectively. **(Notes 3, 27 and 29)**

20. Other Long-term Liabilities

This account consists of:

	Notes	**2023**	**2022**
Other long-term liabilities – Claims Fund		P 1,950,176	P 111,267
Other long-term liabilities – Members Savings		2,576,172	630,870
Other long-term liabilities - BOTs		1,172,609	3,759,623
	3, 5, 6	P 5,698,957	P 4,501,760

Claims fund represents the revolving fund from the reinsurers intended for claims.

21. Fund balance

The Association's Fund balance are as follows:

	Notes	**2023**	**2022**
Funds Assigned to guaranty fund	3	P 5,221,824	P 5,221,824
Free and unassigned funds	3	4,194,944	194,868
Balance at end	3	P 9,416,768	P 5,416,692

Funds assigned for guaranty fund pertains to the portion of the fund balance that is restricted for use, in compliance with Sec. 405 of the Insurance Code (as amended by R.A. No. 10607).

Free and unassigned fund pertains to unrestricted fund of the Association.

Additions to the fund refer to additional contribution of the Board of Trustees plus (deduct) excess of receipts over expenses (expenses over receipts). Also, another deduction against the fund in 2022 refer to equity refunds on membership termination amounting to P 252,922.

22. Related Party Transactions

Remuneration of Key Management Personnel

No remuneration was given by the Association to its trustees and other members of key management personnel in 2023 and 2022.

23. Gross Receipts

This account consists of:

	Notes	2023	2022
Members contributions		P 17,407,690	P 9,542,960
Experience refund		—	306,043
Members' fees and Dues		220,500	222,200
	3, 29	P 17,628,190	P 10,071,203

Members' contributions represents consideration given by the member in exchange for the Association paying a stipulated sum in the event of a loss covered under the basic benefits indicated in the Internal Rules and Regulations (IRR) of the Association and/or membership certificates.

Experience refund pertains to refund received from insurers and re-insurers arising from favourable claims experience over a given period.

Member's fees and dues represent fees and dues collected from individuals to maintain their membership in the Association

24. Other Income

This account consists of:

	Notes	2023	2022
Miscellaneous Income - Others	3, 29	P 256,950	P 495,250
Penalties and Surcharges	3, 29	107,216	142,175
Miscellaneous Income – HMO	3, 29	80,400	—
Interest Income – Investment	3, 29	30,076	29,615
Interest Income – Loans	3, 29	24,427	—
Miscellaneous Income – Loans	3, 29	19,227	—
Interest Income – Cash in Banks	3, 29	8,231	1,537
	3, 29	P 526,527	P 668,577

Miscellaneous income pertains to funds received or earned from various sources which cannot be properly classified under any of the revenue accounts.

25. Benefits Expense

This account consists of:

	Notes	2023	2022
Increase in liability on individual equity	3, 29	P 10,671,620	P 7,056,666
Benefits/Claims Expenses - Basic	3, 29	858,063	120,729

Membership Enrolment and Marketing Expense	3, 29	240,325	82,081
Collection Fees	3, 29	215,509	95,764
Increase in basic contingent benefits	3, 29	34,493	273,975
	3, 29	P 12,020,010	P 7,629,215

Increase in liability on individual equity represents the net change in the liability on individual equity value for basic benefit for the current period (i.e. withdrawal of membership and additional contribution).

Increase in basic contingent benefit reserve represents the net change in the reserve for basic benefit for the current period.

Collection fees refers to fees paid to individuals and/or partner institutions for collection services.

Benefit claims represents the aggregate losses and claims (including refund of equity value, if any) against the Association arising from the certificates and/or insurance contracts issued to members.

Membership enrolment and marketing represents expenses for marketing, including member mobilization, and production of policy forms and promotional materials, among others.

26. Expenses

This account consists of:

	Notes	2023	2022
Salaries and wages		P1,392,424	P 728,672
Technical and Professional Fees		503,240	339,740
Miscellaneous Expense		470,607	66,794
Provision for probable loss-account receivables		452,400	—
Travel Expenses		432,998	463,541
Other Employee Welfare and Benefits		281,687	278,495
Depreciation Expense		197,641	132,022
Annual General Assembly		178,479	283,457
Meetings and Conferences		172,221	198,910
Utilities Expense		156,709	103,799
Taxes, Licenses and Fees		154,857	117,669
13th Month/Bonuses/Incentives		127,947	126,589
SSS/Pag-Ibig/Philhealth Contribution		69,671	46,952
Office Supplies		69,158	80,162
Social and Community Expenses		60,000	110,000
Representation Expense		48,582	103,914
Dues and Subscriptions		10,923	—
Insurance Expense		8,403	88,953
Repair and Maintenance		6,460	3,550
Bank and Other Charges		2,460	6,370
	3, 29	P 4,796,867	P 3,279,589

27. Finance Cost

This refers to finance cost of P 37,070 and P 71,875 in 2023 and 2022, respectively. **(Notes 19 and 29)**

28. Comparatives

When necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

29. Report on Supplementary Information Required by the Bureau of Internal Revenue

The following supplemental information that are relevant to the Association are presented for purposes of filing with the BIR and are not a required part of the basic financial statements.

A. Revenue Regulations No. 15-2010

(a) Output Value Added Tax

The Association is a non-VAT registered Association engaged in the business of life insurance.

(b) Input VAT

The Association did not claim any input VAT in 2023 and 2022.

(c) Documentary Stamp Tax

There were no documentary stamp tax (DST) for the years ended December 31, 2023 and 2022.

(d) Taxes and Licenses

All other taxes, local and National, including real estate taxes, license and permit fees lodged under Administrative Expense – Taxes and Licenses account:

	Notes	2023	2022
Business licenses and permits		P 23,557	P 12,687
Insurance commission supervision, licensing and filing fees		121,200	—
Others		10,100	100,650
Real property tax		—	3,832
Annual Registration Fee		—	500
	26	P 154,857	P 117,669

(e) Withholding Taxes

There were no withholding taxes paid during 2023 and 2022.

(f) Deficiency Tax Assessments

There were no deficiency tax assessments for the years ended December 31, 2023 and 2022.

(g) Tax Cases and Litigation

There were no tax cases, litigation and/or prosecution in courts or bodies outside the BIR for the years ended December 31, 2023 and 2022.

B. Revenue Memorandum Circular No. 19-2019

(a) Non-Taxable Income

	Notes	2023	2022
Members contribution		P 17,407,690	P 9,542,960
Experience refund		—	306,043
Members' fees and Dues		220,500	222,200
	3, 23	P 17,628,190	P 10,071,203

(b) Deductible Cost of Services

	Notes	2023	2022
Increase in liability on individual equity		P 10,671,620	P 7,056,666
Benefits/Claims Expenses - Basic		858,063	120,729
Membership Enrolment and Marketing Expense		240,325	82,081
Collection Fees		215,509	95,764
Increase on basic contingent benefit		34,493	273,975
	3, 25	P 12,020,010	P 7,629,215

(c) Non-Operating and Non-Taxable Other Income

	Notes	2023	2022
Miscellaneous Income - Others		P 256,950	P 495,250
Penalties and Surcharges		107,216	142,175
Miscellaneous Income – HMO		80,400	—
Interest Income – Investment		30,076	29,615
Interest Income – Loans		24,427	—
Miscellaneous Income – Loans		19,227	—
	3, 24	P 518,296	P 667,040

	Notes	2023	2022
Interest Income subject to final tax	3, 7, 23, 24	P 8,231	P 1,537

(d) Itemized Deductions

	Notes	2023	2022
Salaries and wages	26	P1,392,424	P 728,672
Technical and Professional Fees	26	503,240	339,740
Miscellaneous Expense	26	470,607	66,794
Provision for probable loss	26	452,400	—
Travel Expenses	26	432,998	463,541
Other Employee Welfare and Benefits	26	281,687	278,495
Depreciation Expense	26	197,641	132,022
Annual General Assembly	26	178,479	283,457
Meetings and Conferences	26	172,221	198,910
Utilities Expense	26	156,709	103,799

Taxes, Licenses and Fees	**26**	154,857	117,669
13th Month/Bonuses/Incentives	**26**	127,947	126,589
SSS/Pag-Ibig/Philhealth Contribution	**26**	69,671	46,952
Office Supplies	**26**	69,158	80,162
Social and Community Expenses	**26**	60,000	110,000
Representation Expense	**26**	48,582	100,712
Finance cost	**26**	37,070	71,875
Dues and Subscriptions	**26**	10,923	—
Insurance Expense	**26**	8,403	88,953
Repair and Maintenance	**26**	6,460	3,550
Bank and Other Charges	**26**	2,460	6,370
Total Itemized Deductions		P 4,833,937	P 3,348,262

C. Revenue Regulations No. 34-2020

The Association is not covered by the requirements and procedures for related party transactions under Section 2 of Revenue Regulations No. 34-2020.

30. Other Disclosures

There were no material events subsequent to the end of the year end period that have not been reflected in the audited financial statements.

The Association has neither contingent liabilities nor contingent assets as of December 31, 2022.

There are no known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Association's liquidity increasing or decreasing in any material way.

There are no events that will trigger direct or contingent financial obligation that is material to the Association, including any default or acceleration of an obligation.

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Association with unconsolidated entities or other persons created during the reporting period.

All significant elements of income or loss were generated from the Association's registered and continuing business operations.

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