KCCDFI MUTUAL BENEFIT ASSOCIATION, INC

2022 ANNUAL REPORT

"BRIGHTER TOWARDS A CHANGING WORLD BY EMBRACING DIGITALIZATION"

"SEGURADOng pang Masa na, Pang buong Pamilya pa."

MICRO INSURANCE

"The greatest glory in living lies not in never falling, but in rising every time we fall."

-NELSON MANDELA

CONTENT

THE ANNUAL REPORT

The Annual Corporate Governance Report (ACGR) mainly comprises of the Associations ability to handle its financial resources and operational expenditures and ensuring stability in providing insurance services, inspite of the fact that COVID-19 remains a global emergency, and be able to come up with course of actions in responding to its critical effects and still be able to deliver quality services.

This report covers primarily the period of January 01 to December 31, 2022 which includes the material information relating to the Association's financial and non-financial performance and well-being, operating context, risks and governance to address the information needed by the members and stakeholders and the new applicants for membership.

In addition to that, this report was prepared in compliance with National Code of Corporate Governance by providing sources and links to complied items. And furthermore, elaborate on the non-compliance items and provide action plan as well.

And lastly, this report shall be submitted to the Corporate Governance Unit of the AMLCGD of Insurance Commission duly signed by the Chairman/CEO, All Independent Trustees, Compliance Officer, and Corporate Secretary.

THE COVER

As the world egresses from the crisis, COVID-19 will still remain a global challenge. Even though, the world is in a much better place right now than it was a year ago. Indeed, as an association it has not much choice but to move forward.

Henceforth, as part of its ongoing commitment to provide accessible and quality insurance services to the marginalized sector of the community, the Board of Trustees and the Management finally welcomed and approved RIMANSI's E-Mutuals MBA Management System for KCCDFI MBA, Inc. on November 29, 2022 during its regular board meeting, a cloud-based system that will help MBA's in managing and monitoring their member's policy contributions, facilitate claims, check organization performance and ease generation of reports for regulatory compliance.

Thus, moving into the digital space is a change that was a long time coming. With the brighter dedication and support of the Management and Staff in the transition, everything will fall into places above and beyond. As digitization of transactions and processes had already sets in, the team can ensured the highest quality standards in responding to the unprecedented speed and scale of a changing world on a day to day official transactions.

Putting all these chains of digital technology and human empathy and expertise together will give us a brighter future. To sum up, this is what our cover wants to tell us, that by embracing digitalization, we will be able to face the changing world ever more brighter.

Kasanyangan Center For Community Development Foundation Incorporated
Mutual Benefit Association, Inc. (KCCDFI MBA)

WHO WE ARE

2009-2022

*As a non-stock, non-profit organization, **KCCDFI Mutual Benefit Association, Inc.** is a micro-insurance company that aims to extend assistance to its members and their legal dependents in the form of Natural Death Benefit, Accidental Death Benefit, Total and Permanent Disability Benefit, Vehicular Accidental Hospitalization Benefits these are all inclusive under the Basic Life Insurance Plan.*

On that note, the association recognizes its Key role in providing social protections to its member-partners that must be fulfilled even in the most trying times, as it upholds its vision, mission and corporate values in ensuring continuity to maintain the delivery of essential insurance functions and services.

To reiterate, on October 15, 2009, KCCDFI MBA was officially licensed by the Insurance Commission (IC) and registered with Securities and Exchange Commission (SEC) since June 12, 2008.

In furtherance, the association is a member of the Philippine Network of Microinsurance MBA Association of the Philippines Inc. (MIMAP) or RIMANSI.

MISSION

KCCDFI MBA is a mutual benefit association formed:

a. To help improve the quality of life by providing excellent financial and non-financial service to our marginalized clients.

b. To continue to sustain the welfare and professional development of our employees.

c. To uphold professionalism in our business relation with our partners.

VISION

"To be the best microinsurance institute of choice in the Philippines serving as as pillar of strength for the marginalized sector of society."

OBJECTIVES

- To extend financial assistance to its members, spouse, children and parents in the form of death benefits, sickness benefits, provident savings and loan redemption assistance;
- To ensure continued access to benefits/resources by actively involving the members in the managements of the association that will include implementation of policies and procedures geared towards sustainability and improved service.

MESSAGE TO STAKEHOLDERS

Greeting of peace and development!

Nowadays, change is constant and inevitable. The world is constantly changing and evolving; hence, businesses may need to invest in new technologies, software, and infrastructure. For us who are engaged in the business of microfinance and microinsurance, it is important to keep up with the latest technologies and embrace digitalization in order to stay competitive and efficient.

We recognize that not all individuals have access to the technology and that we are duty-bound to promote digital inclusivity and bridge the gap between those who have access to technology and those who do not.

By adopting technological advancements, we can take advantage of the benefits it brings. We can streamline our operations, efficiently improve communication and collaboration among allied partners, and provide greater services to our clients.

As we navigate through a changing world, it's important that we don't just adapt to it, but also embrace it. And by embracing digitalization, we can readily address challenges by streamlining processes, cutting costs, and enhancing accessibility to our products and services. That, with digital platforms, insurance companies like KCCDFI MBA can automate processes, eliminate paper-based procedures, and reduce transactional costs associated with traditional insurance products.

Overall, digitalization is revolutionizing micro-insurance by making it more accessible, affordable, and efficient. It is important that stakeholders continue to explore innovative ways of integrating digital technologies into micro-insurance to unlock more benefits for the low-income sector and vulnerable groups.

As we strive to become brighter, let us embrace this change and make the most of technological advancements. Let us work smarter, faster, and more efficiently. Let's continue to push ourselves to be better and more innovative in the face of digital disruption.

Let's clasp our hands, embrace digitalization and turn challenging situation to greater opportunities.

Mercedes G. Faustino
KCCDMFI PRESIDENT / CHIEF EXECUTIVE OFFICER

MESSAGE TO MEMBERS

In this modern day where people rely more on digital and technologies and this modern gadgets, it is very vital for us to know the usage of each modern technology for us to become more productive and efficient in our work because it's part of our daily lives.

By embracing this new and modern technologies in this modern world, it can help lessen our work.

Digitalization plays a significant role in facilitating the document processing and insurance tasks for the MBA Coordinator. The adoption of digital processes greatly benefits KCCDFI MBA by enabling faster procedures, which ultimately leads to increased client satisfaction. Moreover, digitalization enhances the efficiency of the Coordinator and FDO (Field Development Officer) in collecting insurance and payments, allowing them to fulfill their respective roles effectively.

Moreover, digitalization entails the transformation of information into digital formats, encompassing scanning, textual representation, images, and more. This process enables us to elevate our work to a higher level, enhancing both its quality and efficiency. Conversely, navigating a world without digitalization would present significant challenges, making tasks more difficult and less manageable.

Mary Ann R. Candoy

KCCDFI MBA BOARD OF TRUSTEES PRESIDENT

Our previous experiences and challenges have compelled us to modify our approach to conducting transactions and engaging with our members and stakeholders. Adopting to the next new normal requires us to explore ways to enhance our products and services, prioritize customer-centricity, and embrace digitalization to keep pace with the evolving market dynamics.

Our overarching mission has always been to ensure the financial security and protection of the underserved communities we serve. Despite facing numerous challenges, including significant setbacks during the pandemic's initial stages, we remained unwavering in delivering financial services to our members through our microinsurance products, particularly when they needed them most. Throughout the year, we unwaveringly upheld our commitment to empower individuals and families with affordable and accessible microinsurance solutions.

Improving our Product and Services

Recognizing the significance of providing comprehensive benefits and protection to our members, we are delighted to announce the approval of our enhanced Basic Life Insurance Plan by the Insurance Commission this year. This plan offers an improved level of coverage to our members and their families, ensuring financial security and a sense of stability for their loved ones during unexpected circumstances.

Additionally, we are pleased to inform you that our Hospital Assistance Pampamilya Insurance Plan (HAPI Plan) has also been approved and was officially launched during the Annual General Assembly in October 2022. The HAPI PLAN is a new insurance product designed to provide financial assistance to our members and their spouses during hospitalization. It offers a fixed daily cash allowance for the duration of their hospital stay, aiming to alleviate the financial burden associated with medical expenses. This demonstrates our commitment to meeting the evolving needs of our members and addressing their concerns

In 2022, we have allocated a specific portion of our net surplus, totaling Php 2.2M, towards the benefit of our members. This amount will be utilized to support various member-centric initiatives, such as providing relief operations during calamities and enhancing our systems and equipment. This ensures that the excess funds are utilized effectively to provide tangible benefits and necessary improvements for the benefit of our valued members.

Strengthening operations and member Engagement through Training and Orientation Initiatives

Relative to the newly approved product, we have successfully implemented an operations training program for our Microfinance group and MBA coordinators. This program equips them with the necessary knowledge and skills to effectively perform their roles. The training focuses on enhancing their product expertise and optimizing operational efficiency. Through this initiative, we aim to empower them to deliver exceptional service and foster long-term relationships with our valued members.

Moreover, we have conducted an orientation for our members, with a particular focus on disseminating information about the newly approved enhanced Basic Life Insurance Plan (Blip) and HAPI Plan. The orientation provides a deeper understanding of the fundamental principles, policies, and benefits associated with these newly approved products.

Embracing the Era of Digital Transformation

In today's ever-changing landscape, the rate of transformation is unparalleled. Industries across the board have been reshaped by technological advancements and digital innovations, and the microinsurance sector is no exception. Recognizing the importance of embracing this digital shift, we have wholeheartedly embraced digitalization to adapt to the evolving dynamics of the market.

We have undertaken significant endeavors to integrate digitalization into our operations. We understand that in order to thrive in this rapidly changing world, we must reimagine our business processes, enhance our capabilities, and leverage data-driven insights to make well-informed decisions.

To kickstart our digital transformation strategy for 2022, the board of trustees approved investments in upgrading our technological infrastructure and optimizing digital platforms. These initiatives will empower us to streamline our operations, improve efficiency, and deliver exceptional value to our members. Alongside adopting digital solutions, we also recognize the utmost importance of nurturing a digitally skilled workforce that can navigate the challenges and seize the opportunities that lie ahead. Thus, we are committed to continuously invest in upskilling and reskilling our employees, enabling them to embrace digital tools and technologies. By fostering a culture of continuous learning and innovation, we aim to cultivate a talented workforce that is agile, adaptable, and prepared to embrace the dynamic nature of our ever-changing world.

Building a Sustainable Future

In our pursuit of digital transformation, we remain mindful of our responsibility towards sustainability. We are committed to reducing our ecological footprint and promoting environmental stewardship. By adopting paperless processes, minimizing waste, and embracing green practices, we aim to contribute positively to our environment while driving positive change within our industry.

Looking Ahead

As we reflect on the progress made in the past year, we stand poised to embrace the opportunities and challenges that lie ahead. Our commitment to digitalization remains unwavering and we will continue to invest in innovative technologies, nurture our talent and forge strategic partnerships to remain at the forefront of change.

I extend my heartfelt gratitude to our members, KCCDFI group, our partner organization and stakeholders for your continuous trust and support. Most importantly to our board of trustees and our management and staff for bringing us up to this point. Our achievements would not have been possible without your collaboration and commitment to our shared goals. It is through your engagement that we continue to thrive in this evolving landscape

Together, let us forge ahead into a brighter future, leveraging digitalization to create value for our members and contribute to the resilience of communities we serve.

With sincere appreciation,

Maria Teresa C. Gonzales

KCCDFI MBA GENERAL MANAGER

2023 OPERATIONS

& Highlights

Total Active Members

18,987

Total Amount Claims Paid

13,959,210

Total Assets

118,446,797

Total No. of Insured Individuals

51,134

Total Contributions & Premiums

17,805,677

CLAIMS

BASIC LIFE INSURANCE PLAN

PHP 6,345,500.00

No. of Claims: 224

CREDIT LIFE INSURANCE PLAN

PHP 1,683,132

No. of Claims: 110

REFUND OF CONTRIBUTION

PHP 3,510,341.00

No. of Claims: 3,224

RETIREMENT SAVINGS FUND

PHP 2,392,027.00

No. of Claims: 3,224

AREAS OF OPERATION

KCCDFI MBA has been serving the areas of Zamboanga City and the provinces of Zamboanga Sibugay, Zamboanga Del Sur, and Zamboanga Del Norte, and Marikina, Rizal. Mostly, members of the KCCDFI MBA are from Region IX, and with partnerships with other organized groups.

ZAMBOANGA PENINSULA MAP

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BRANCHES SERVED BY KCCDFI MBA

STA. CATALINA
TETUAN
TALON-TALON
TALISAYAN
IPIL
KABASALAN
SIOCON
BUUG
LILOY
IMELDA
MARIKINA

CABALUAY
CURUAN
IMELDA
IPIL
KABASALAN
LILOY
MAASIN
MARIKINA
MERCEDES
OLUTANGGA
PUTIK
SANGALI

ASSOCIATE PARTNERS:

MEGAPEMPCO
FERNDALE INTERNATIONAL SCHOOL
VAROZ MARKETING
TODDA - TETUAN
BARANGAY COUNCILS
4P'S MEMBERS
ZAFPI - EMPLOYEES
STAFF RELATIVES

MONTALBAN ACTION GROUP
MINDANAO MILITIA
BARCODE
COMMUNITY FARMERS

KCCDFI MUTUAL BENEFIT ASSOCIATION, INC.
BOARD OF TRUSTEES

MARY ANN R. CANDOY
BOARD OF TRUSTEE PRESIDENT

MA. CRISTINA D. BUGAY
BOARD OF TRUSTEE VICE PRESIDENT

HERMIE A. HASAN
BOARD OF TRUSTEE SECRETARY

JESSICA A. ARANETA
BOARD OF TRUSTEE TREASURER

CATHERINE A. ELUMBRA
BOARD MEMBER

DEZZA S. MOHAMMAD
INDEPENDENT BOARD

NEVILYN P. ABUALAS
INDEPENDENT BOARD

THE MANAGEMENT COMMITTEE OF
KCCDFI MUTUAL BENEFIT ASSOCIATION, INC

MARIA TERESA C. GONZALES
GENERAL MANAGER

JAZEL U. JANUBAS
ACCOUNTING SPECIALIST

OLIVIA P. ANTONIO
FINANCE & ADMIN SPECIALIST

MA. PERLA J. MEDINA
PROMOTIONS & UNDERWRITING SPECIALIST

COMMUNITY DEVELOPMENT

The goal of KCCDFI MBA to make the entire community of members stronger, brighter and at the same time be empowered can be put under community development. Thus, a successful community development takes collaboration among stakeholders who are dedicated to work together to define and solve problems within the community and pursuing opportunities. Hence, as a social insurance provider, the association continues to build strong and sustainable communities of members by keeping them empowered and reiterating to them the importance of staying and keeping their families, especially during the most vulnerable time. As a result of these roll-out campaigns during the Enhanced BLIP Orientations, membership retention was high and clientele development abilities to be more active in the participation to ensure continued access to benefits and assistance.

*Evidently, in addition thereto, as partner institution of KCCDMFI, KCCDFI MBA had also participated in the **Brigada Eskwela of Cawit Elementary School** last August 27, 2022 and the **Brigada Eskwela at Presa, Curuan Day Care Center** last September 02, 2022, distributed school supplies and alcohols.*

More so, the association helped out during the Natural Calamities that hits Zamboanga City and some part of Sibugay, Imelda, Kabasalan, and Siocon areas by providing immediate relief assistance to affected clients and their family members.

Now, therefore, moving forward as an association of members, it would strongly adheres to its mission for the greater good of all its enterprises.

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CORPORATE GOVERNANCE

It has always been the association's aim to advocate food corporate governance for its essential in earning the trust and confidence of all its valued members. And will definitely help the institution improve the quality of life of the marginalized sector of the community.

With that in mind, achieving good corporate governance practices is vital in helping the institution operate more efficiently and effectively and be able to safeguard against mismanagement.

CORPORATE GOVERNANCE CONFIRMATION STATEMENT

KCCDFI Mutual Benefit Association, Inc. through its Board of Trustees and the Management Team confirms its full adherence to the Code of Corporate Governance. The Association is committed to good corporate governance and shall endeavor to improve its governance practices anchored on its corporate values of professionalism, compassion for the poor, commitment to service, gender-sensitive, sensitivity to the environment, passion or excellence, and teamwork. Moreover, the Association believes that corporate governance constitutes sound strategic business management and the best practices will guide. Thus, in furtherance, KCCDFI MBA commits themselves to delivering honest and quality services to all its members and stakeholders.

BOARD OF TRUSTEES

Thus, the Board of Trustees is the highest governing body of the Association who approves and sees to it that there is a proper implementation of the policies and procedures being laid down by them. A trustee's office is a position of trust and confidence. Hence, their actions are primarily characterized by transparency, accountability, and fairness. They are also responsible for overseeing the performance of the senior management making sure that short and long-term strategic objectives and goals of the Association are attained.

As the policy making body of the association, the Board of Trustees are selected from among the members, and elected by their co-members as well, in accordance with the nomination and election guidelines of the Association. To elaborate the composition of the Board of Trustees are consists of seven (7) members, as follows. Five (5) trustees are elected by the active members and two (2) independent trustee who are professionals and experts in their field and are appointed by the general assembly. The Trustees are elected every three (3) years by the majority of the members during its annual meeting and the independent trustees have a term limit of nine (9) years. As such they hold no executive position in the Association. Furthermore, the Board of Trustees has undergone training and webinars - workshops to develop their individual capabilities and to become empowered as leaders.

Concomitantly, as part of their responsibility, the Board of Trustees act as our representative in the different communities. Having them deliver first hand information directly to their fellow members and serves as our voice in echoing our services to the people. The members of the Board of Trustees are all entitled to reimburse their expenses for their attendance and necessary expenses incurred during meetings and center visits but not to exceed two-thousand pesos (Php2,000.00).

BOARD OF TRUSTEES

Name	Designation	Trusteeship
Mary Ann R. Candoy	President	NON-EXECUTIVE
Ma. Cristina D. Bugay	Vice President	NON-EXECUTIVE
Hermie A. Hasan	Secretary	NON-EXECUTIVE
Jessica A. Araneta	Treasurer	NON-EXECUTIVE
Catherine A. Elumbra	Member	NON-EXECUTIVE
Dezza S. Mohammad	Independent Trustee	NON-EXECUTIVE
Nevilyn P. Abualas	Independent Trustee	NON-EXECUTIVE
Mercedes G. Faustino	Advisor	N/A
Atty. Ibarra A. Malonzo	Advisor	N/A
Maria Teresa C. Gonzales	General Manager	Executive

BOARD OF DIRECTORS

Name	Age	Year First Elected	No. of years as Trustees
Mary Ann R. Candoy	46	2015	7
Ma. Cristina D. Bugay	45	2021	1
Hermie A. Hasan	56	2021	1
Jessica A. Araneta	51	2021	1
Catherine A. Elumbra	41	2021	-
Dezza S. Mohammad	42	2015	7
Nevilyn P. Abualas	41	2017	5
Atty. Ibarra A. Malonzo	78	N/A	N/A
Mercedes G. Faustino	50	N/A	N/A

The Board holds regular meetings virtually via zoom video-conferencing platform in 2022:

Name of Trustee	Total no. of Meetings	No. of Meetings Attended	Percentage Rating
Mary Ann R. Candoy BOT President, KCCDFI MBA	9	9	100%
Ma. Cristina D. Bugay BOT Vice - President, KCCDFI MBA	9	9	100%
Hermie A. Hasan BOT Secretary, KCCDFI MBA	9	9	100%
Jessica A. Araneta BOT Treasurer, KCCDFI MBA	9	9	100%
Catherine A. Elumbra COO / Vice President, KCCDMFI	9	9	100%
Dezza S. Mohammad Independent Board, KCCDFI MBA	9	9	100%
Nevilyn P. Abualas Independent Board, KCCDFI MBA	9	9	90%

BOARD COMMITTEE

AUDIT COMMITEE

__The Audit Committee__ is composed of three (3) non-executive officer with an Independent Trustee as the chairman and it also includes one (1) Advisory Board who are selected from among the members of the Board of Trustee. In the meeting, the committee makes the necessary recommendations affecting the association's operations and regulations on internal control which would be beneficial to it.

Furthermore, it assists the Board of Trustees in its oversight responsibilities regarding, the association's compliance with legal and regulatory requirements, the management's compliance with existing policies and procedures and the performance of the internal and external audit functions.

The Audit Committee of KCCDFI MBA, Inc. certifies that the Association has an adequate and effective internal control system.

The Audit Committee meets quarterly or as necessary in fulfilling its responsibilities and makes a timely report of its actions to the Board of Trustees.

Below is the 2022 attendance of each member in the meeting held via Zoom - Video Conferencing:

Name of Trustee	No. of Audit Committee Meeting	No. of Meetings Attended	Percentage Rating
Nevilyn A. Abualas Chairman - Independent Board, KCCDFI MBA	1	1	100%
Dezza S. Mohammad Member -BOT- Independent Trustees	1	1	100%
Jessica A. Araneta Member - BOT Treasurer	1	1	100%
Mercedes G. Faustino BOT, Board Adviser	1	1	100%

AUDIT COMMITTEE MEMBERS

Name of Trustee	Position	Date Appointed MM/DD/YYYY
NEVILYN A. ABUALAS BOT Independent Trustee	Chairman	12/15/2021
DEZZA S. MOHAMMAD BOT Independent Trustee	Member	12/15/2021
JESSICA A. ARANETA BOT Treasurer	Member	12/15/2021
MERCEDES G. FAUSTINO BOT , Board Advisor	Adviser	12/15/2021

**November 2021-November 2023

Remuneration Committee / Governance Committee

The Committee shall be composed of the following members:

Name of Trustee	Position
Nevilyn P. Abualas Independent Trustee	*Chariman*
Mary Ann R. Candoy BOT President	*Member*
Catherine A. Elumbra BOT Member	*Member*
Mercedes G. Faustino BOT Member	*Advisor*
Atty. Ibarra A. Malonzo	*Advisor*

It has the duty and responsibility to establish a formal and transparent procedure to develop policy for determining the remuneration of directors / trustees and officers that is consistent with the corporations culture and strategy as well as the business environment in which it operates.

Nomination and Election Committee

The Nomination and Election Committee is composed of the following members:

Name of Trustee	Position
Dezza S. Mohammad Independent Trustee	Chairman
Nevilyn P. Abualas Independent Trustee	Member
Hermie A. Hasan BOT Secretary	Member
Ma. Cristina D. Bugay BOT Vice President	Member

**November 2021- November 2023

The Nomination committee is hereby vested sole authority to conduct and supervise the elections for the members of the Board of Trustees ad other officers and proclaim the winners. Further, it may be tasked to supervise the election of ***KCCDFI Mutual Benefit Association, Inc.***

Investment Committee

The Committee oversees the investment management and fiduciary activities of the Association, and ensures that they are conducted in accordance with applicable rules and regulations, and judicious practices.

The following are the appointed members of the Investment Committee:

Chairman: *Catherine A. Elumbra*

Members: *Mary Ann R. Candoy - BOT President*
Maria Teresa C. Gonzales - General Manager
Nevilyn P. Abualas - Advisory Board
Mercedes G. Faustino - Independent Board

The attendance of each member in the meeting:

Name of Trustee	No. of Investment Committee Meetings	No. of Meetings Attended	Percentage Rating
CATHERINE A. ELUMBRA *Chairman - BOT Member, KCCDFI MBA*	4	4	100%
MARY ANN R. CANDOY *BOT President, KCCDFI MBA*	4	4	100%
MARIA TERESA C. GONZALES *General Manager, KCCDFI MBA*	4	4	100%
NEVILYN P. ABUALAS *Advisory Board, KCCDFI MBA*	4	4	100%
MERCEDES G. FAUSTINO	4	4	100%

Related Party Transaction Committee

The Related party Transaction Committee is composed of the following members:

Chairman: *Nevilyn P. Abualas - Independent Trustee*

Members: *Dezza S. Mohammad - Independent Board*
Jessica A. Araneta - BOT Treasurer
Mercedes G. Faustino - Board of Advisers

It was created to ensure that the Association's dealing with the public and various stakeholders are imbued with the highest standards of integrity and are in arms-length transaction.

The Related Party Transaction Committee is tasked to assist the Board in fulfilling its responsibility to strengthen corporate governance and practices particularly on material related party transaction (RPTs).

The Committee met only once during the regular Board Meeting.

Name of Trustee	No. of RPT Meetings	No. of Meetings Attended	Percentage Rating
NEVILYN P. ABUALAS *Chairman - Independent Trustee, KCCDFI MBA*	1	1	100%
DEZZA S. MOHAMMAD *Member - Independent Board, KCCDFI MBA*	1	1	100%
JESSICA A. ARANETA *BOT Treasurer, KCCDFI MBA*	1	1	100%
MERCEDES G. FAUSTINO *BOT Adviser, KCCDFI MBA*	1	1	100%

Pursuant to IC Circular 2017-29, KCCDFI MBA complies with the quarterly submission of list of RPT transactions to the Insurance Commission along with the Organizational Structure which is submitted annually.

Risk & Oversight Committee

The Following are the members of the Risk & Oversight Committee:

Chairman:	*Nevilyn P. Abualas*
Members:	*Catherine A. Elumb ra*
	Mary Ann R. Candoy
Adviser:	*Mercedes G. Faustino*
	Atty. Ibarra A. Malonzo

The Risk & Oversight Committee is responsible to identify and evaluate risk exposure, develop risk management strategy, oversight the implementation of the risk management plan, and review and / or revise the plan as necessary and ensuring that corrective actions are in place to address concern in a timely manner.

INDEPENDENT CHECKS AND BALANCES

KCCDFI Mutual Benefit Association, Inc., is committed to regularly practice independent checks and balances to ensure the soundness of our operations through the implementation of the following functions though out the year:

INTERNAL AUDITOR

An effective internal control system assured a safe and smooth sailing operations. Thus, the Board is responsible for the development and review of the association's internal control system, while the day-to-day responsibility for internal control lies with the management. With that, the internal audit performs an important role in the Association's control and corporate governance environment.

On the note, the internal auditor function of KCCDFI MBA is exercised by the Internal Audit Unit of **KCCDMFI** *headed by* ***Mr. Derek Spencer V. Abecia****, Internal Audit Specialist, who is under the direct supervision of the* **KCCDFI MBA Board Audit Committee** *and administratively under* **KCCDMFI Board of Directors***. It provides risk-based and objective assertion, guidance and insight to senior management and the Board, to enhance and protect organizational ethics. Furthermore, the Internal Audit is also tasked to provide independent assessment and reasonable assurance of the adequacy and effectiveness of the Association's internal controls.*

External Auditor

It is well-settled that the external audit plays an important role in validating KCCDFI MBA's financial position and results of operation. The Audit Committee appointed **Quilab & Garsuta, CPA's** *to conduct the external audit of the Association. The External Audit Team was headed by Ms. Ana Mariae Michelle D. Quilab - Arrabaca who was engaged in the amount of Ninety-Five Thousand Two hundred Pesos (Php 95,200.00) only as professional fees inclusive of tax to audit the 2022 Financial Statements of the Association. And in 2022, no non-audit fees were paid to external auditor.*

The Board of Trustees affirmed the result of the Audited financial Statement for the year ended December 31, 2022.

Compliance

KCCDFI MBA's Board of Trustee has established a higher standard to ensure good and full compliance of the Association with laws, policies, circulars, memoranda, requirements and guidelines issued by the regulatory agencies such as Insurance Commission, Securities and Exchange Commission, Bureau of Internal Revenue and other government agencies.

As appointed by the Board of Trustees, the Compliance Officer is responsible for monitoring and maintaining a manual of compliance procedures in relation to the business of the Association. In year 2022, the Association had fully complied with all the necessary provisions of its Corporate Governance Manual.

Code of Ethics & Business Ethics

KCCDFI MBA institutionalizes the highest ethical standards through the strict implementation of the Association's Code of Conduct that outlines the policies governing the activities of the institutions, its trustees, officers and employees. Hence, the Association adheres to the Code's specification on the fair treatment of the employees and business partners. It is imperative that trustees, officers and employees live by the values that the associations stands for and reflect these values in their behaviors.

Related Party Transactions

The Related Party Transaction Committee is responsible to assist the Board in assessing material agreements of any kind with a related party in determining whether to approve, ratify, disapprove or reject a Related Party Transaction. The Association had duly complied with the legal and regulatory requirements pertaining to the approval and disclosure of the Related Party Transactions. And all related party transactions are presented to the Board of Trustees for their approval and to ensure that these are conducted to the best interest of the Association, its members and stakeholders. All the actions are being presented to the general assembly during the annual meeting for ratification.

Transparency & Disclosures

To keep the members and stakeholders updated the Board of Trustees and the management and staff are committed to promote and ensure full disclosure, transparency and accountability. And these disclosures and other corporate information are made available through the various channels as follows:

- **Website - www.kccdfimba.com**. Both financial and non - financial information are uploaded in the KCCDFI MBA's official website, including **Corporate Governance Manual**.
- **Email-Add - Kccdfi_mba@yahoo.com.ph / https://www.facebook.com/KccdfiMBAI**
- **Leaflet** - The Association distributed leaflets containing information and latest updates of our products and services to its members during center visits and orientations.
- **Media** - The members of the Association can also reach us using our Facebook page (**Kccdfi Mutual Benefit Association, Inc.**) anytime and anywhere. KCCDFI MBA also used to advertise its products and services through radio ads.
- **Hotline** - KCCDFI MBA provide members hotlines for their easy and immediate access to inquiries and notifications.

Please feel fee to contact us, through these hotline numbers: **0639-555-794-477 and / or 639-555-793-476**.

Board Performance Evaluation

A Great way to demonstrate to management, staff, and members that the Board of Trustees cares about the association and its stakeholders is through a regular board assessments. These evaluation processes will help the association stay on the right track and make sure that the board's collective performance is working on the institution's growth and development.

On that note, an Annual Performance evaluation of the Board and the Committee are being conducted to measure its compliance and help maintain the highest standards of quality of work. The General Manager and the Compliance Officer are designated by the Board to establish an evaluation system to determine and measure compliance of the board, management and employees.

The Association has formulated an internal self and Peer Assessment and Performance Evaluation System. This is the tool being used by the board to access themselves, their peers and individual committees. This is a Likert Rating Scale with numerical scores and merit interpretations, using the following baselines.

A.) Qualities and Competence that the Board of Trustees possess and manifest and;

B.) Performance of Duties and Responsibilities.

The questionnaire was duly accomplished and completely submitted by the Board of Trustees.

Stakeholders Interest

In a crucial step forward, it is vitally important to consider stakeholder's interest in the organization when making decisions. As a responsible corporate entity, the association stands for value and strives to create value for its stakeholders, especially the members. Thus, it is the primary commitment of the institution to pay benefits without delay to members/beneficiaries and giving them the best quality programs and services.

Member's Satisfaction

As a membership association it exists to serve it members. As such it's top priority to deliver credible and to ensure that the members are satisfied and engaged. In line with that, the association were able to deliver and paid claims benefits within the 1-3-5 days without delay to members/beneficiaries or 91% overall claims settlement performance.

Member's Health & Safety

In promoting health and safety of all its members, the association place great importance on their well-being by providing them easy and accessible ways on how to settle their monthly contributions on time and on how to submitted their claims requirements at the comfort of their homes, without having to travel in this new horizon. At any rate, COVID-19is here to story, that is why during the center visits, the team never stopped reminding clients of their basic health and safety precautionary measures that they need to observe from time to time.

Moving forward, the association will continue to work hand in hand with the Community Development Department of KCCDMFI to promote and provide health and safety awareness to all its partner-members.

Disaster Preparedness & First Aid Training

Last September 15, 2022, representatives from the Bureau of Fire Protection of Zamboanga City conducted an Emergency Fire and Earthquake Drill orientation and training to all KCCDMFI and KCCDFI MBA employees held at the Head Office, KCCDMFI Building, Guiwan Barangay, this city.

This aims to orient, teach and demonstrate the importance of having proper equipment and training in times of emergency and especially the proper way how to use a fire extinguisher.

Overall, the employees of the Association learned something which they can apply not just in the workplace but more so in their own households. Additionally, the association continued to provide the needed social protection services and support to safeguard the life and health of its employees and stakeholders.

Supplier / Contractor Selection Criteria

KCCDFI Mutual Benefit Association's commitment to fair market practices and engaging a reputable suppliers/contractors who have good track records and sustainable business practices is well stated in its policy.

KCCDFI MBA *engages the assistance of suppliers and / or contractors to provide services that the association will need for its daily operations. To ensure the Association conduct a bidding process for projects with contract amounting to Php 100, 000.00 and above, where a minimum of three (3) suppliers shall submit their proposal and business profile to the management for background check and validation of proposal. The selected supplier / contractor will be issued a duly notarized contract / agreement to make the transaction binding.*

Environmentally - Friendly Value Chain

As the world is thriving to move out from the pandemic, climate change remains one of the important environmental issues that has an impact on communities, businesses and economics. Therefore, as part of our social responsibility to take care of our mother earth, KCCDFI MBA fervently aspire to exceed market expectations across all sustainability issues and go beyond legal compliance to proactively reduce our environmental impacts.

Even more, the management and staff are all committed to promoting a culture that is aware of the significant impact it has on the environment and as such, are all driven to follow the different ways to conserve the sustainability of our environment by re-using papers, limiting the use of air condition, usage of lights and computer system, putting in place energy and water conservation measurers and monitoring the use of these resources.

And more importantly, the association commits to protect the environment by responsibly managing and implementing policies, projects and practices to progressively reduce its operations' direct impact on the environment.

Interaction with Communities

KCCDFI MBA joins forces with KCCDMFI in conducting and celebrating series of branches / anniversaries held in different Barangays in Zamboanga City and in Sibugay areas. These activities recognizes the loyalty, hardwork and success of all the clientele awardees.

More so, it is at the heart of the association's mission to empower marginalized people in the community . The event were held last June 10, 2022 Putik Branch, July 26, 2022 Tetuan Branch, October 08, 2022 Mercedes Branch, and November 05, 2022 Curuan Branch.

To sum up, the Association has been efficient and responsible in working with its members and partners to generate a positive economic, environmental and social impact.

Anti-Corruption Program / Whistle Blowing Policy

KCCDFI MBA *is committed to observe the value of integrity in all its transactions and constantly, tried to ensure that there is a strict implementation of its policies on whistle-blowing or anti - corruption programs. This is to enable any concerned individuals to report and provide information, anonymously if he / she wishes, and even testify on matters involving the acts or omissions of the trustees, Officers, personnel, and members / stakeholders that are illegal, unethical, violate good governance policies, neglect or abuse of clients, possible fraud and corruption, and unhealthy business practices.*

Furthermore, the policy aims to encourage employees, clients/members and stakeholders to report questionable activity, bribery and conception issues within the Association.

Following thereto, whistleblowing disclosures may be reported directly to the Management or Compliance Office through any of the following digital channels:

- *Email : kccdfi_mba@yahoo.com.ph*
- *Facebook Page : https://www.facebook.com/KccdfiMBAI*
- *Post Mail : 2/flr. KCCDFI Bldg.*
  MCLL Highway, Guiwan
  Zamboanga City
- *HotlineNmber : (062) 990-2429*
  (639) 955-579-3477
  (639) 955-579-3476

The ***Whistleblowing Incident Report Form*** is also available at www.kccdfimba.com

Creditor's Right

To date **KCCDFI MBA** *has no legal or any credit obligation to any third party. Anyhow, the association remain consistent in allocating enough funds to meet its obligations to the members, partners, suppliers and contractors, and other party who have provided services to the company. As stated, under the law, in the event of liquidation legal creditors are given priority.*

EMPLOYEES & MEMBER'S DEVELOPMENT PROGRAM

Annual Physical Examination

One of the health programs of the association is to undergo general check-up annually to ensure that all employees are in good condition and physically fit to work. Thus, all the employees are provided with a health card from PhilHealth Care Inc. (PhilCare)

As an added health protection, the association shouldered the pneumonia vaccine administered to all MBA employees last January 12, 2022, March 12, 2022 and May 26, 2022.

Training & Development

Well-settled that, the success of an Association weighted heavily on its human resources including the Board of Trustees competence in delivering their assigned responsibilities to the clients and stakeholders with synchronize mind and heart.

Hence, to ensure that the Board and all the staff are properly equipped and capacitated to do their respective duties, the Association have continuously required the Board of Trustees and its employees to attend various trainings online, including webinars and other learning series.

Below are the listed trainings and webinars attended by the Board of Trustees and Management and Staff:

Name of Employees	National Micro-Insurance Forum 2021: "Thriving in the New Normal" (January 26-27, 2021)	MILESTONE: "MBA Coordinators: Kaagapay mo sa Mabilis at Maayos na Serbisyo" (March 14, 2022)	CARD MRI: "Disaster Resiliency and Risk Financing Forum" (April 11, 2022)	Annual Statement Workshop (April 19, 2022)	Microinsurance Webinar "A Briefing on the Status of Microinsurance in the Philippines" (April 21, 2022)	Management Forum 2022 "Improving Regulatory Compliance & Operating System" (August 24-26, 2022)	Training on Enhanced BLIP and HAPI Plan September 17 & 24, 2022)	Data Privacy Compliance Seminar (September 23, 2022)	Learning Sessions to Kickstart your IFRS 17 Journey (September 20,22,27 and 29, 2023	Strategic Planning Workshop (November 11 & 12, 2022	Round Table Discussion on Investment (December 9, 2022)
Maria Teresa C. Gonzales	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓
Olivia P. Antonio	✓					✓	✓				
Jazel U. Janubas	✓			✓		✓	✓		✓	✓	✓
Ma. Perla J. Medina	✓	✓	✓		✓	✓	✓		✓	✓	
Bernadette S. Bonifacio	✓					✓	✓	✓	✓		
Conchita A. Elumbra	✓		✓		✓	✓	✓				
Joelyn S. Felisilda	✓		✓		✓	✓	✓				
Roel P. Manuel	✓						✓				

Name of Trustee	National Micro-Insurance Forum 2022: "Facing Uncertainty through Strategic Innovations" (January 25-25, 2022)	MiMAP 2022 "General Assembly Meeting" March 21, 2022	CARD MRI: "Disaster Resiliency and Risk Financing Forum" (April 11, 2022)	Governance and AMLA Workshop (May 18-20, 2022)	Leadership Training Workshop: "Soft skills for Servant Leadership" (July 27-29, 2029)	Management Forum: "Improving Regulatory Compliance and Operating System" (august 24-26, 2022	Training on Enhanced BLIP and HAPI Plan (September 10-17, 2022)	Learning Sessions to Kickstart your IFRS 17 Journey (September 20,22,27, and 29, 2022)	Round Table Discussion on Investment (December 9, 2022)
Mary Ann R. Candoy BOT President, KCCDFI MBA	✓	✓	✓		✓	✓	✓	✓	✓
Ma. Cristina D. Bugay BOT Vice - President, KCCDFI MBA	✓		✓	✓	✓	✓	✓		
Hermie A Hasan BOT Secretary, KCCDFI MBA	✓		✓	✓		✓	✓		
Jessica A. Araneta BOT Treasurer, KCCDFI MBA	✓		✓	✓		✓	✓		
Catherine A. Elumbra BOT Member	✓		✓			✓			✓
Dezza S. Mohammad Independent Board, KCCDFI MBA	✓					✓		✓	
Nevilyn P. Abualas Independent Board, KCCDFI MBA	✓					✓		✓	✓
Mercedes G. Faustino KCCDMFI CEO / Adivsory Board	✓	✓				✓	✓		✓
Atty. Ibarra A. Malonzo Advisory Board						✓			

*Among other things, in recognition of its employees loyalty in the service, the Association had vested three (3) awardees last **December 02, 2022 at Dakak, Dapitan City**.*




Members

KCCDFI MBA is committed to provide continuing education to members by providing them as updated information regarding its products and services.

With the impending implementation of the Enhanced BLIP which is due to take effect on January 02, 2023, a series of roll-out campaign were conducted in the selected centers of the 14 branches which have already covered and oriented.

For indeed, the sustainability of the association relies on the active involvement and participation of the member in the affairs of the company .
















THE BOARD OF TRUSTEES PROFILE

MARY ANN R. CANDOY

BOT PRESIDENT/ CHAIRMAN

46, Filipino, is a member of the Board of Trustees since October 15, 2018 and presently, she is the BOT President of KCCDFI MBA, Inc. since December 15, 2021. She is also a member of the Risk & oversight Committee, Governance Committee, and Investment Committee. Thus, she is a High School Graduate and a bonafide resident of Presa Curuan, Zamboanga City. She is into buy and sell business. Ms. Candoy holds no directorship or any position in any listed company.

MA. CRISTINA D. BUGAY

BOT VICE-PRESIDENT,

45, Filipino, is the elected vice-president of the Board of Trustees as of December 15, 2021. Currently, she is a member if the Nomination and Election Committee.

She is a graduate of Bachelor of Elementary Education. She is a resident of Purok 7 Tropical, Tugbungan, Zamboanga City. and she is into buy and sell business. Ms. Bugay holds no directorship or any position in any listed company.

HERMIE A HASAN

BOT SECRETARY

56, Filipino, is the elected Secretary of the Board of Trustees as of December 15, 2021. She is a member of the Nomination and Election Committee.

She is an undergraduate taking Bachelor of Science in Agriculture and a bonafied resident of Luyahan, Pasonanca, Zamboanga City. She is a Sari-sari Store and Piso Net Owner.

Ms. Hasan holds no directorship or any position in any listed company.

JESSICA A. ARANETA

BOT TREASURER

51, Filipino, is a member of the Board of Trustees in 2015 and became the Board Treasurer. As of November 17, 2021 to present she was re-elected as Treasurer of the Board of Trustees.

Presently, she is a member of the Audit and RPT Committee. She is a graduate of Bachelor of Science in Social Work and resides in Purok 1, Vitali, Zamboanga City.

She is into Buy and Sell business. Ms. Araneta holds no directorship or any position in any listed company.

CATHERINE A. ELUMBRA

BOT MEMBER

41, Filipino, is a Board Member of the Association since December 15, 2021 up to the present. She is a graduate of Bachelor of Science in Social Work. She is the **Field Operations Director of KCCDMFI.**

Ms. Elumbra is a voting member of the Board of Trustee of KCCDFI MBA and she holds no directorship or any position in any listed company.

DEZZA S. MOHAMMAD

INDEPENDENT BOARD

42, Filipino, has been an Independent Trustee of KCCDFI MBA, Inc.'s Board of Trustees since October 15, 2015. she is the Chairman of the Nomination Committee and the Chairman of Risk Oversight Committee. And also a member of the RPT Committee. She has a degree in Bachelor of Science in Accountancy, Major in Accounting (2000), Bachelor of Science in Business Administration (2013). She is a Certified Public Accountant. And she is a bonafide resident of Tetuan, Zamboanga City. Currently, she is the Chairman of the Accountancy Program in Western Mindanao State University. Ms. Mohammad holds no directorship or any position in any listed company.

NEVILYN P. ABUALAS

INDEPENDENT BOARD

41, Filipino, has been an Independent Trustee of KCCDFI MBA, Inc.'s Board of Trustees since October 16, 2017. She is the Chairman of the Audit Committee and RPT Committee and also a member of the Investment Committee. She has a degree in Bachelor of Science in Accountancy major in Accounting (2002) and Master's Degree on Public Administration (27 units). She is a Certified Public Accountant. And she is a bonafide resident of Alfaro Street, Tetuan, Zamboanga City. She privately owns and manage an Accounting Firm. Ms. Abualas holds no directorship or any position in any listed company.

THE BOARD ADVISOR

ATTY. IBARRA A. MALONZO

CHAIRMAN EMERITUS OF KCCDMFI

MERCEDES G. FAUSTINO

KCCDMFI PRESIDENT / CEO

Bachelor of Laws,
Bachelor of Arts in English and Comparative Literature
University of the Philippines - Diliman
Member, Integrated Bar of the Philippines

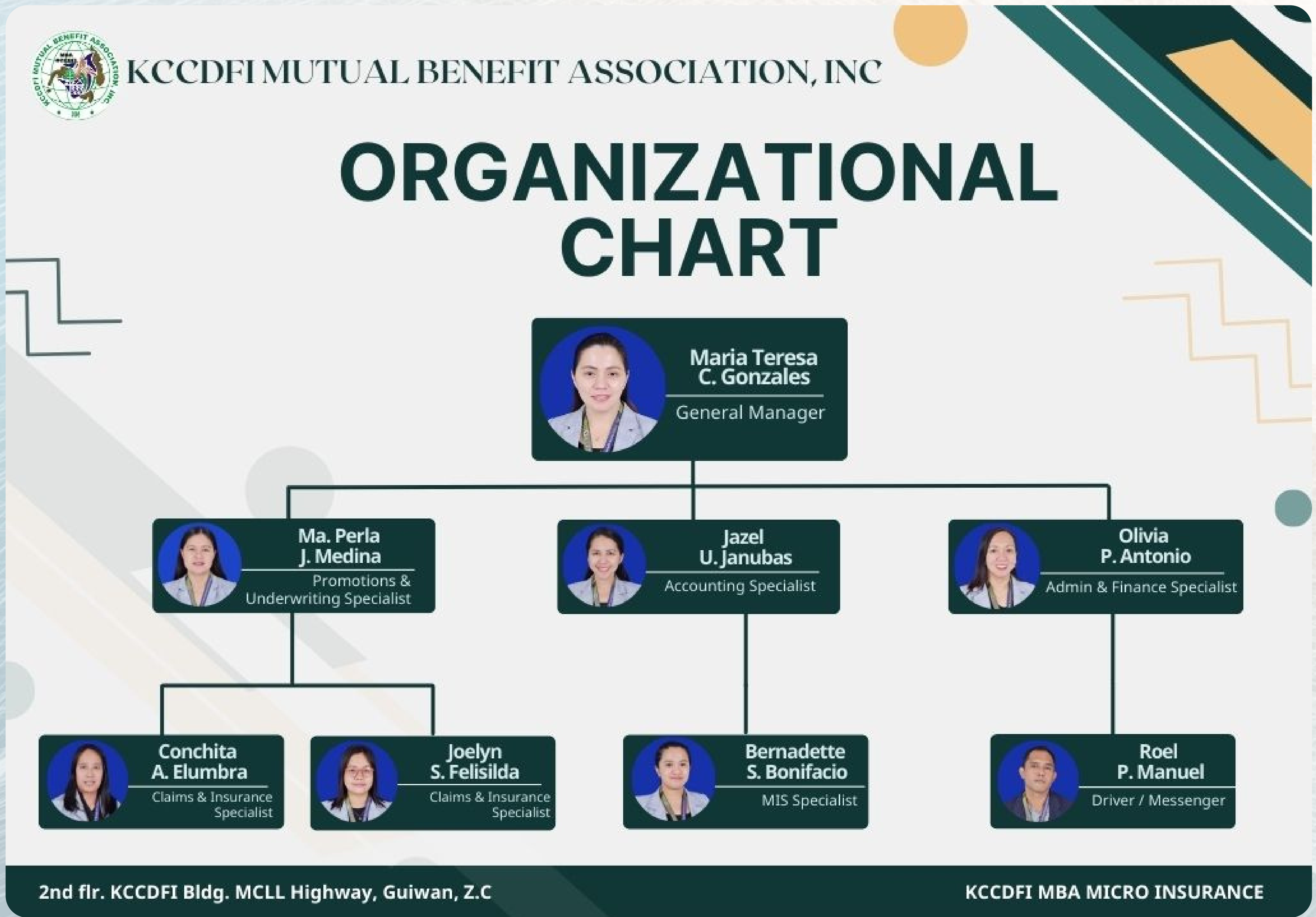
Atty. Ibarra Avelino Malonzo, 78, Filipino, is an Advisory Board of the Association. He assumed to the Board of Trustee on December 08, 2016. He is appointed Chairman Emeritus of KCCDMFI after he served as President and CEO of the said Institution.

Thus far, he managed to steer the institution from a period of rehabilitation in 2016 to a period of recovery in 2018. And managed to have KCCDMFI accredited as a Microfinance institution by Micro-insurance NGO Regulatory Council (MNRC) for FY 2018 to 2019 and FY 2020 to 2021.

At present, Atty. Malonzo is a non-voting member of the Board of Trustee of KCCDFI MBA. And he holds no directorship on any position in any listed company.

50, Filipino, is an Advisory Board of the Association since December 15, 2021 up to the present. She is a graduate of Bachelor of Science in Commerce Major in Accounting. Currently, she is the the President and CEO of KCCDMFI. And she holds no directorship or any position in any listed company.

THE Management & Staff



OUR Staff

PROFILE

MARIA TERESA C. GONZALES
GENERAL MANAGER, KCCDFI MBA

41, Filipino, is the General Manager of KCCDFI MBA since August 1, 2017. She is a Bachelor of Science in Commerce Major in Accounting Technology graduate and currently resides in Cabaluay, Zamboanga City. She attends and participates in various trainings and seminars, the latest of which is on Corporate Governance and Board Committee Orientation Workshop in September 2019, briefer on Revised Code of Corporate Governance for IC Regulated Companies and Annual Corporate Governance Report in August 2020, and Financial Management Seminars for Mi-MBA's in October 2020, among others which was conducted by RIMANSI.

JAZEL U. JANUBAS
ACCOUNTING SPECIALIST, KCCDFI MBA

32, Filipino, is the Accounting Specialist of KCCDFI MBA since April 17, 2017. She is a Bachelor of Science in Commerce Major in Management Accounting graduate and currently resides in San Isidro St. Culianan, Zamboanga City. She attends and participates in various trainings and seminars in accounting and other related fields such as Accounting for non-Accountants and Financial Literacy Training in September 2019, Progreso Bonds(RTB24) Webinar in July 2020, and Financial Management Seminar for Mi-MBA's in October 2020, among others and last two seminars was conducted by RIMANSI.

MA. PERLA J. MEDINA
PROMOTIONS & UNDERWRITING OFFICER, KCCDFI MBA

40, Filipino, is the Promotion and Underwriting Officer of KCCDFI MBA since April 17, 2017 and acts as the Board of Trustees Secretariat. She has a degree in Bachelor of Science in Psychology and a graduate of Bachelor of Laws. She is currently residing at Zone 6, Gapuh, Talabaan, Zamboanga City. She attended trainings and seminars related to micro-insurance MBA, the most recent of which are the 2019 Management forum "Managing Regulatory, Performance and System Risks" in July 2019, Corporate Governance and Board of Committee Orientation Workshop in September 2019, and Revised Code of Corporate Governance for IC Regulated Companies and Annual Corporate Governance Report in August 2020.

OLIVIA P. ANTONIO
ADMIN & FINANCE SPECIALIST, KCCDFI MBA

47, Filipino, is the Administration and Finance Specialist of KCCDFI MBA since April 17, 2017. She has a degree in Bachelor of Science in Commerce Major in Accounting and Master's Degree on Public Administration (12 units). She is a bona fide resident of Zone 3, Lunzuran, Zamboanga City. She underwent various trainings ans seminars, the latest of which is on Risk Reduction Management Training in October 2019, Briefer on TRAIN Package 4: PIFITA in August 2020, and Financial Management Seminar for Mi-MBA's in October 2020 among others.

BERNADETTE S. BONIFACIO

MANAGEMENT INFORMATION SYSTEM SPECIALIST, KCCDFI MBA

31, Filipino, is the Management Information System Specialist of KCCDFI MBA since April 17, 2017. She is a graduate of Diploma in Food Processing and has an extensive experience as Computer Encoder. She currently resides at Zone 2, San Isidro Rd. Boalan, Zamboanga City. She attended trainings and seminars related to MIS, the most latest of which is on Risk Reduction Management Training in October 2019, Social Media Marketing 101 in July 2020, and Improving Mi-MBA's Technological Competency in August 200 which was conducted by RIMANSI.

JOELYN S. FELISILDA

INSURANCE & CLAIMS SPECIALIST, KCCDFI MBA

40, Filipino, is the Insurance and Claims Specialist of KCCDFI MBA since April 17, 2017. She has a degree in Bachelor of Science in Accountancy and currently residing at Zone 1-b Carpio Compound, View Island, Mercedes, Zamboanga City. She underwent different trainings and seminars, the most recent of which are Accounting for Non-accountant and Financial Literacy Training in September 2019, Risk Reduction Management Training in October 2019, and Improving Mi-MBA's Technological Competency in August 2020, majority of which conducted by RIMANSI.

CONCHITA A. ELUMBRA

INSURANCE & CLAIMS SPECIALIST, KCCDFI MBA

45, Filipino, is the Insurance and Claims Specialist of KCCDFI MBA since April 17, 2017. She is a Bachelor of Public Administration graduate and currently resides in Teodoro Lane Gov. Ramos Ave., Sta. Maria, Zamboanga City. She attended and participates in trainings and seminars, the latest of which is on Accounting for Non-Accountant and Financial Literacy Training in September 2019, Risk Reduction Management Training in October 2019, and Improving Mi-MBA's Technological Competency in August 2020 among others.

ROEL P. MANUEL

DRIVER / MESSENGER, KCCDFI MBA

51, Filipino, is the Driver / Messenger of KCCDFI MBA since April, 2017. He attended high school at Zamboanga City State Polytechnic College. He is a bona fide resident of Zone 2, Pasobolong, Zamboanga City.

He attended trainings and seminars on Accountancy for Non-accountant and Financial literacy Training in September 2019 and Risk Reduction Management Training in October 2019 which was conducted by the institution.

Trainings / Webinars

Microinsurance Forum
January 25-26, 2022

**ctto

**ctto

MiMAP Learning Series
MBA Coordinator
March 14, 2022

**ctto

**ctto

General Assembly
March 21, 2022

MiMBA Annual Statement Workshop April 19, 2022

**ctto

**ctto

Governance & AMLA Workshop May 18-20, 2022

**ctto

**ctto

Financial & Risk Review Committee June 2, 2022

**ctto

Leadership Training Workshop: Soft skills for Servant Leadership
July 27-29, 2022

**ctto

**ctto

Management Forum:
Improving Regulatory Compliance & Operating Systems
August 24-26, 2022

**ctto

**ctto

Actuarial Elements of IFRS 17
September 20, 22, 27, & 29, 2022

**ctto

**ctto

Data Privacy Compliance Seminar: September 23, 2022

**ctto

ACTIVITIES AND EVENTS

Enhanced BLIP & HAPI Plan Product Training

September 13, 2022-Sibugay Areas/ Branches (AMs, BMs, & FDOs)












Enhanced BLIP & HAPI Plan Product Training

September 17, 2022 - Zamboanga City Areas / Branches (Area A, Area B - AMs, BMs, and FDOs)

Enhanced BLIP & HAPI Plan Product Training

September 24, 2022 - Zamboanga City Areas / Branches
(Area C, Area D, and Area E - Head Office, AMs, BMs, and FDOs)

13th anniversary & Annual General Membership Meeting

Gearing towards sustainability & improved services

October 14, 2022

13th anniversary & Annual General Membership Meeting

Gearing towards sustainability & improved services

October 14, 2022

Branch Anniversary
Putik Branch

Branch Anniversary
Tetuan Branch

Branch Anniversary
Mercedes Branch







Branch Anniversary
Curuan Branch








The GALLERY


KCCDFI MUTUAL BENEFIT ASSOCIATION, INC.
MICRO INSURANCE
CELEBRATE ITS
13th ANNIVERSARY &
ANNUAL GENERAL MEMBERSHIP MEETING
"Gearing Towards Sustainability & Improved Services."
14th October 2022
Woodland Resort and Restaurant, Zamboowood, Zamboanga City
KCCDFI MBA






Kasanyangan Center for Community
and Microfinance Foundation, Inc

THIS WAY TO
SNOW WORLD




KCCDFI MUTUAL BENEFIT
ASSOCIATION, INC
MICRO
INSURANCE


KCCDFI MUTUAL BENEFIT
ASSOCIATION, INC
MICRO
INSURANCE


Sprite
BARANGAY HALL

Audited Financial Statement

2022

QUILAB & GARSUTA
Certified Public Accountants

CERTIFICATION

Contact Information
2F, Executive Centrum Building, J.R. Borja Street
Cagayan de Oro City, Philippines, 9000
(063) 88-8564401, 8822-727515
quilabgarsuta.com

Accreditations, Expiry
BIR 16-007506-000-2022, 2022-2024
NEA 2020-12-00070, 2020-2023
7787-SEC Group B, 2020-2024
7787-BSP Group B, 2020-2024
7787-IC Group A, 2020-2024
PRC/BOA 7787, 2020-2023
CDA 119 AF, 2021-2023
MISEREOR

INSURANCE COMMISSION
1071 United Nations Avenue
Manila

Gentlemen:

In connection with our engagement in the audit of the financial statements of KCCDFI Mutual Benefit Association, Inc. for the year ended December 31, 2022, we hereby certify:

(1) That there were no weaknesses or breach in the internal control and risk management of the Association that are material enough to warrant modifications of our report nor were there matters that came to our attention that need our direct reporting to the Insurance Commission (IC);

(2) That we have nothing to report to the Insurance Commission (IC) with regard to items enumerated under Section 4.3 of Circular No. 2019-39, that came to our attention during the audit, e.g., (i) fraud or error; (ii) losses aggregating 10% of consolidated assets of the Association; (iii) significant going-concern issues; (iv) material breach of IC rules and regulations; (v) material internal control weaknesses, and (vi) findings on matters related to corporate governance), and

(3) That the engagement partner, manager, and auditor-in-charge of the engagement and the members of their immediate families do not have any direct or indirect financial interest with the Association, and their independence is not considered impaired under the circumstances specified in the Code of Professional Ethics for Certified Public Accountants.

This certification is issued in compliance with the requirements mandated by the Insurance Commission (IC) in its Circular No. 2019-39, dated August 8, 2019.

Done this 27th day of April 2023 at Cagayan de Oro City, Philippines.

ANA MARIAE MICHELLE D. QUILAB-ARRABACA
Engagement Partner

SUBSCRIBED AND SWORN to before me this 27th day of April 2023 affiant exhibited to me her PRC Identification Number 0121076 valid until June 28, 2023.

NOTARY PUBLIC
Doc. No. 292
Page No. 49
Book No. 06
Series of 2023.

ATTY. MARILEN LEZADA-ROSABAL
Notary Public until December 31, 2024
Notarial Commission No. 2023-42
IBP Lifetime No. 250727 / Dec. 15, 2022
PTR Receipt No. 542655 / Dec. 6, 2022
MCLE No. VII-0014509 / Roll No. 53682
TIN No. 947-407-463

2F KCCDFI Building
MCLL Highway, Guiwan
7000 Zamboanga City, Philippines
Tel. No. (062) 990-2429
Email: kccdfi_mba@yahoo.com

KCCDFI Mutual Benefit Association, Inc.

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of KCCDFI Mutual Benefit Association, Inc. is responsible for the preparation and fair presentation of its financial statements for the years ended December 31, 2022 and 2021, in accordance with Philippine Financial Reporting Standards (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 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 and submits the same to the members of the Association.

Quilab & Garsuta, CPAs, the independent auditors appointed by the Board of Trustees for the periods December 31, 2022 and 2021, have audited the financial statements of the Association in accordance with Philippine Standards on Auditing (PSAs), and in their reports to the Board of Trustees, have expressed its opinion on the fairness of presentation upon completion of such audits.

April 26, 2023, in the City of Zamboanga, Philippines.

MARY ANN R. CANDOY
President

MARIA TERESA C. GONZALES
General Manager

JESSICA A. ARANETA
Treasurer

QUILAB & GARSUTA
Certified Public Accountants

Contact Information
2F, Executive Centrum Building, J.R. Borja Street
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quilabgarsuta.com

Accreditations, Expiry
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NEA 2020-12-00070, 2020-2023
7787-SEC Group B, 2020-2024
7787-BSP Group B, 2020-2024
7787-IC Group A, 2020-2024
PRC/BOA 7787, 2020-2023
CDA 119 AF, 2021-2023
MISEREOR

REPORT OF INDEPENDENT AUDITORS

The Board of Trustees and Members
KCCDFI Mutual Benefit Association, Inc.
2nd Floor, KCCDFI Building, MCLL Highway
Guiwan, Zamboanga City

Report on the Financial Statements

Opinion
We have audited the financial statements of KCCDFI Mutual Benefit Association, Inc. which comprise the statements of financial position as at December 31, 2022 and 2021, the statements of profit or loss and other comprehensive income, statements of changes in fund balances and statements of cash flows for the years then ended, and notes to financial statements comprising of a summary of significant accounting policies and other explanatory notes (collectively referred to as 'financial statements').

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of KCCDFI Mutual Benefit Association, Inc. as of December 31, 2022 and 2021, and of its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

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 *Auditor's Responsibilities for the Audit 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 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
The 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 Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in

accordance with 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.

- 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.

<u>Report on the Supplementary Information Required Under Revenue Regulations 15-2010</u>

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes, licenses and fees in Note 28 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 audit 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 whole.

QUILAB & GARSUTA, CPAs
By:

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121076-BSP Group B, 2020-2024
121076-IC Group A, 2020-2024
PTR No. 5474076 A
January 3, 2023
Cagayan de Oro City

April 26, 2023
Cagayan de Oro City, Philippines

APR 28 2023

STATEMENTS OF FINANCIAL POSITION

KCCDFI Mutual Benefit Association, Inc.

December 31,	**2022**	2021
ASSETS		
Current Assets		
Cash and cash equivalents *(Note 4)*	**₱8,634,854**	₱9,342,403
Investments in debt and equity securities *(Note 7)*	**44,683,783**	41,627,670
Receivables from agents and others *(Note 5)*	**484,452**	615,950
Prepayments and other assets *(Note 6)*	**96,185**	103,375
Total Current Assets	**53,899,274**	51,689,398
Non-Current Assets		
Property and equipment – net *(Note 8)*	**425,565**	359,335
Investments in debt and equity securities *(Note 7)*	**63,527,166**	62,239,313
Right-of-use asset – net *(Note 8)*	**594,792**	717,852
Total Non-Current Assets	**64,547,523**	63,316,500
	₱118,446,797	₱115,005,898
LIABILITIES AND FUND BALANCES		
Current Liabilities		
Trade and other payables *(Note 9)*	**₱2,108,059**	₱1,648,052
Insurance contract liabilities *(Note 10)*	**515,429**	744,194
Lease liability *(Note 8)*	**111,893**	111,893
Total Current Liabilities	**2,735,381**	2,504,139
Non-Current Liabilities		
Aggregate reserves for unexpired risks *(Note 11)*	**45,577,553**	38,434,769
Retirement Trust Fund *(Note 12)*	**37,932,403**	35,579,410
Lease liability *(Note 8)*	**577,471**	689,365
Total Non-Current Liabilities	**84,087,427**	74,703,544
Total Liabilities	**86,822,808**	77,207,683
Fund Balances		
Guaranty Fund *(Note 13)*	**18,782,823**	17,892,540
General Fund *(Note 14)*	**9,901,884**	18,427,086
Members' Benefits Fund *(Note 15)*	**2,625,371**	439,038
Assigned Surplus Fund *(Note 17)*	**279,275**	–
Revaluation reserve on investments at FVTOCI *(Note 7)*	**34,636**	1,039,551
Total Fund Balances	**31,623,989**	37,798,215
	₱118,446,797	₱115,005,898

See Notes to Financial Statements.

APR 28 2023

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

KCCDFI Mutual Benefit Association, Inc.

Years Ended December 31,	**2022**	2021
REVENUE		
Gross members' premium contributions *(Note 16)*	**₱17,805,677**	₱17,270,421
Less contributions to Guaranty Fund *(Note 13)*	**890,283**	863,521
Net members' premium contributions	**16,915,394**	16,406,900
Interest and investment income *(Notes 4 and 7)*	**3,536,075**	1,736,060
Interest income on unremitted collections *(Note 5)*	**57,979**	538,375
Membership fees *(Note 16)*	**456,270**	361,900
Other income *(Note 18)*	**688,285**	919,415
Total Revenue	**21,654,003**	19,962,650
BENEFITS AND OPERATING EXPENSES		
Gross benefits and claims paid to members *(Notes 10 and 16)*	**11,750,910**	14,489,443
Increase (decrease) in aggregate reserves for unexpired risks *(Note 11)*	**7,142,784**	(4,073,722)
Collection expenses *(Note 21)*	**1,558,867**	1,567,786
Interest expense *(Note 12)*	**371,462**	282,135
Membership enrolment and marketing expenses	**459,913**	186,331
Total Members' Benefits and Expenses	**21,283,936**	12,451,973
Compensation and employees' benefits *(Note 19)*	**3,646,834**	3,231,261
General and administrative expenses *(Note 20)*	**2,379,757**	1,918,117
Depreciation *(Note 8)*	**329,104**	315,851
Total Benefits and Operating Expenses	**27,639,631**	17,917,202
NET (DEFICIT) SURPLUS FOR THE YEAR	**(5,985,628)**	2,045,448
OTHER COMPREHENSIVE INCOME		
Item that may not be subsequently reclassified to profit or loss:		
Changes in value of investments at FVTOCI *(Note 7)*	**34,636**	115,745
TOTAL COMPREHENSIVE (LOSS) INCOME FOR THE YEAR	**(₱5,950,992)**	₱2,161,193

See Notes to Financial Statements.

APR 28 2023

STATEMENTS OF CHANGES IN FUND BALANCES

KCCDFI Mutual Benefit Association, Inc.

December 31,	2022	2021
GUARANTY FUND *(Note 13)*		
Opening balances	**₱17,892,540**	₱17,029,019
Contributions from members during the year	**890,283**	863,521
Closing balances	**18,782,823**	17,892,540
GENERAL FUND *(Note 14)*		
Opening balances	**18,427,086**	16,820,676
Reclassification to assigned surplus *(Note 17)*	**(279,275)**	–
Allocation to Members' Benefits Fund *(Note 15)*	**(2,260,299)**	(439,038)
Net surplus (deficit) for the year	**(5,985,628)**	2,045,448
Closing balances	**9,901,884**	18,427,086
MEMBERS' BENEFITS FUND *(Note 15)*		
Opening balances	**439,038**	–
Allocation from General Fund *(Note 14)*	**2,260,299**	439,038
Direct charges during the year	**(73,966)**	–
Closing balances	**2,625,371**	439,038
ASSIGNED SURPLUS FUND *(Note 17)*		
Opening balances	–	–
Reclassification from unassigned surplus	**279,275**	–
Closing balances	**279,275**	–
REVALUATION RESERVE ON INVESTMENTS AT FVTOCI *(Note 7)*		
Opening balances	**1,039,551**	923,806
Effect of derecognition during the year	**(1,039,551)**	–
Changes in value of investments during the year	**34,636**	115,745
Closing balances	**34,636**	1,039,551
	₱31,623,989	₱37,798,215

See Notes to Financial Statements.

STATEMENTS OF CASH FLOWS

KCCDFI Mutual Benefit Association, Inc.

Years Ended December 31,	2022	2021
CASH FLOWS FOR OPERATING ACTIVITIES		
Net surplus (deficit) for the year	**(₱5,985,628)**	₱2,045,448
Add (deduct) adjustments for:		
Depreciation – property and equipment *(Note 8)*	**206,043**	192,790
Depreciation – right-of-use assets *(Note 8)*	**123,061**	123,061
Increase in aggregate reserves for risks *(Note 11)*	**7,142,784**	(4,073,722)
Interest on lease liability *(Note 8)*	**68,106**	76,873
Interest and investment income *(Notes 4 and 7)*	**(3,536,075)**	(1,736,060)
Operating deficit before changes in working capital	**(1,981,709)**	(3,371,610)
Add (deduct) changes in working capital, excluding cash and cash equivalents:		
Decrease in receivables from agents and others *(Note 5)*	**131,498**	963,688
Decrease (increase) in prepayments and other current assets *(Note 6)*	**7,190**	(75,792)
Increase in trade and other payables *(Note 9)*	**460,007**	222,839
Increase (decrease) in insurance contract liabilities *(Note 10)*	**(228,765)**	301,608
Net Cash Used for Operating Activities	**(1,611,779)**	(1,959,267)
CASH FLOWS FOR INVESTING ACTIVITIES		
Additions to property and equipment *(Note 8)*	**(272,274)**	(40,740)
Increase in investments in debt and equity securities *(Note 7)*	**(5,348,881)**	(18,505,424)
Interest and investment income *(Notes 4 and 7)*	**3,536,075**	1,736,060
Net Cash Used for Investing Activities	**(2,085,080)**	(16,810,104)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in Retirement Trust Fund *(Note 12)*	**2,352,993**	1,710,251
Increase in contributions to Guaranty Fund *(Note 13)*	**890,283**	863,521
Direct charges to Members' Benefit Fund *(Note 15)*	**(73,966)**	–
Payment of lease principal and interest *(Note 8)*	**(180,000)**	(180,000)
Net Cash Provided from Financing Activities	**2,989,310**	2,393,772
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(707,549)**	(16,375,599)
OPENING CASH AND CASH EQUIVALENTS	**9,342,403**	25,718,002
CLOSING CASH AND CASH EQUIVALENTS *(Note 4)*	**₱8,634,854**	₱9,342,403

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

KCCDFI Mutual Benefit Association, Inc.
As of and for the Years Ended December 31, 2022 and 2021

Note 1
Organization and Tax Exemption

The KCCDFI Mutual Benefit Association, Inc. (henceforth referred to as "Association") is a mutual benefit association organized by the Kasanyangan Center for Community Development Foundation, Inc. (KCCDFI) for the primary purpose of providing life insurance and other allied services to the Foundation's members and beneficiaries. It was registered with the Securities and Exchange Commission (SEC) on June 12, 2008 and started operations on September 1, 2008, while still obtaining its secondary license from the Insurance Commission (IC), which the Association subsequently obtained on October 15, 2009.

The Association has 18,987 members at the end of 2022.

The Association was organized to: (1) extend financial assistance to its members, their spouses, children and parents in the form of death and sickness benefits, provident savings and loan redemption assistance; and (2) ensure continued access to benefits/resources by actively involving the members in the management of the Association that would include implementation of policies and procedures geared towards sustainability and improved services.

Besides providing benefits to members through the mutual benefit fund, the Association also undertakes the provision of micro-insurance and retirement savings to members. Its loan insurance package aims to cover members' loan payments to all accredited lending institutions in case of death or physical disability of member/borrower. The member-borrower contributes 1.5% of his principal loans payable in one (1) year, or 0.08% to 0.75% of his principal for loans payable in six (6) months, or 0.04% to 0.38% of his principal for loans payable in three (3) months. The coverage of the Fund is co-terminus with the term of the loan.

The Retirement Savings Fund is a regular feature in the membership requirements of the Association. A member is required to pay a weekly contribution of ₱5.00, which is refunded to the member upon reaching the age of 65 or if a member resigns from the Association prior to reaching 65. The member is entitled to the payment of 100% of his total contributions plus interest earnings. Interest shall be credited to the fund every anniversary at 2% per annum.

The Association maintains its Head Office at the Second Floor of KCCDFI Building located along Ma. Clara L. Lobregat Highway, Guiwan, Zamboanga City. The Head Office and the branches of KCCDFI act as the collecting agents of the Association for certain collection fees.

In accordance with Section 30 (C) of the National Internal Revenue Code, as amended, the Association is exempted from the payment of taxes from income derived by it.

Note 2
Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

Amendments to PAS/IAS 16 Property, Plant and Equipment— Proceeds before Intended Use
The Association has adopted the amendments to PAS/IAS 16 *Property, Plant and Equipment* for the first time in the current year. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e., proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognizes such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with PAS/IAS 2 *Inventories*.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. PAS/IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes. If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The foregoing amendments were adopted by FSRSC on August 19, 2020 and becomes effective beginning January 1, 2022.

Amendments to PAS/IAS 37 Onerous Contracts—Cost of Fulfilling a Contract
The Association has adopted the amendments to PAS/IAS 37 for the first time in the current year. The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labor or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The foregoing amendments were adopted by FSRSC on August 19, 2020 and becomes effective beginning January 1, 2022.

Annual Improvements to PFRS Accounting Standards 2018-2020 Cycle
The Association has adopted the amendments included in the *Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle* for the first time in the current year. The Annual Improvements include amendments to four standards.

- *PFRS 1 First-time Adoption of International Financial Reporting Standards*
  The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in PFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to PFRS Accounting Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in PFRS 1:D16(a).

- *PFRS 9 Financial Instruments*
  The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

- *PFRS 16 Leases*
  The amendment removes the illustration of the reimbursement of leasehold improvements.

- *PAS/IAS 41 Agriculture*
  The amendment removes the requirement in PAS/IAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in PAS/IAS 41 with the requirements of PFRS 13 *Fair Value Measurement* to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pre-tax or post-tax cash flows and discount rates for the most appropriate fair value measurement.

These following amendments were adopted by FSRSC on August 19, 2020 and becomes effective beginning January 1, 2022.

New and Revised IFRS Accounting Standards in Issue But Not Yet Effective
At the date of authorization of these financial statements, the Association has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective and is some cases have not yet been adopted by the FSRSC.

- PFRS 17 *Insurance Contracts* (including the June 2020 and December 2021 amendments to IFRS 17)
- Amendments to PFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Amendments to IAS 1 *Classification of Liabilities as Current or Non-current*
- *Amendments to IAS 1* and IFRS Practice Statement 2 *Disclosure of Accounting Policies Amendments to IAS 8 Definition of Accounting Estimates*
- Amendments to PAS/IAS 8 *Definition of Accounting Estimates*
- Amendments to PAS/IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The management of the Association does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Association in future periods.

IFRS 17 Insurance Contracts
IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 *Insurance Contracts*. IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

In June 2020, the IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the IASB issued Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023.

In December 2021, the IASB issued Initial Application of IFRS 17 and IFRS 9—Comparative Information (Amendment to IFRS 17) to address implementation challenges that were identified after IFRS 17 was published. The amendment addresses challenges in the presentation of comparative information. IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application. The FSRSC adopted the amendments on December 15, 2021 and amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the Association anticipate that the application of these amendments may have an impact on the Association's consolidated financial statements in future periods should such transactions arise. The FSRSC has not yet adopted the foregoing amendments.

Amendments to IAS 1 Presentation of Financial Statements—Classification of Liabilities as Current or

The amendments to PAS/IAS 1 published in January 2020 affect only the presentation of liabilities as current or noncurrent in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted. The IASB is currently considering further amendments to the requirements in IAS 1 on classification of liabilities as current or non-current, including deferring the application of the January 2020 amendments. The FSRSC adopted the amendments on August 19, 2020 and becomes effective beginning January 1, 2023.

Amendments to IAS 1 Presentation of Financial Statements and
IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies

The amendments change the requirements in PAS/IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in PAS/IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

The amendments to PAS/IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements. The FSRSC adopted the amendments on April 14, 2021 and becomes effective beginning January 1, 2023.

Amendments to IAS 8 Accounting Policies, Changes
in Accounting Estimates and Errors—Definition of Accounting Estimates
The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The definition of a change in accounting estimates was deleted. However, the IASB retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction of an error.

- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The IASB added two examples (Examples 4-5) to the Guidance on implementing PAS/IAS 8, which accompanies the Standard. The IASB has deleted one example (Example 3) as it could cause confusion in light of the amendments.

The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted. The FSRSC adopted the amendments on April 14, 2021 and becomes effective beginning January 1, 2023.

Amendments to IAS 12 Income Taxes—Deferred Tax
related to Assets and Liabilities arising from a Single Transaction
The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying PFRS 16 at the commencement date of a lease.

Following the amendments to PAS/IAS 12, an entity is required to recognize the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in PAS/IAS 12.

The IASB also adds an illustrative example to PAS/IAS 12 that explains how the amendments are applied. The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognizes:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with: (a) Right-of-use assets and lease liabilities, and (b) decommissioning, restoration and similar liabilities and the corresponding amounts recognized as part of the cost of the related asset.

- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted. The FSRSC adopted the amendments on April 14, 2021 and becomes effective beginning January 1, 2023.

The directors of the Association anticipate that the application of these amendments may have an impact on the Association's consolidated financial statements in future periods should such transactions arise.

Basis of Preparation
The financial statements have been prepared using the historical cost basis, except for financial instruments that are measured at fair values at the end of the year, as explained in the following accounting policies. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Association takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the financial statements is determined on such basis, except for leasing transactions that are within the scope of PFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in PAS/IAS 2 or value in use in PAS/IAS 36.

The financial statements are presented in Philippine peso, which is the Association's functional and presentation currency, and all values are recorded to the nearest peso except when otherwise indicated.

The preparation of the financial statements made use of estimates, assumptions and judgments by management based on management's best knowledge of current and historical facts as at statement of financial position date. These estimates and judgments affect the reported amounts of assets and liabilities and contingent liabilities as at statement of financial position date, as well as affecting the reported income and expenses for the year. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Going Concern
The Board of Trustees has, at the time of approving the financial statements, a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing financial statements.

Significant Accounting Policies
The principal accounting policies adopted are set out below.

Fair Value Measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (a) in the principal

market for the asset or liability; or (b) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Association.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Association uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Association determines whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial Instruments
Financial assets and financial liabilities are recognized in the Association's statement of financial position when the Association becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial Assets
All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification of Financial Assets
Debt instruments that meet the following conditions are measured subsequently at amortized cost: (a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and (b) 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.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI): (a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and (b) 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.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Association may make the following irrevocable election/designation at initial recognition of a financial asset: (a) the Association may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met [see (iii) below]; and (b) the Association may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch [see (iv) below].

(i) *Amortized Cost and Effective Interest Method*

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Association recognizes interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

The Association's financial assets at amortized costs includes cash and cash equivalents and trade and other receivables.

Cash and Cash Equivalents

Cash and cash equivalents are carried in the financial statements at cost. Cash comprise unrestricted cash on hand, deposits held at call with banks, and time deposits with banks that can be pre-terminated anytime without significant risk of change in value. Cash equivalents (including those invested in a trust fund) represent short-term, highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. At the end of the year, the Association has no cash equivalents.

Trade and Other Receivables
Trade and other receivables are outstanding balances from debtors less the allowance for impairment losses. Receivables are recognized when the Association becomes party to the contract, which happens when the goods or services are dispatched. They are derecognized when the rights to receive the cash flows have expired e.g., due to the settlement of the outstanding amount or where the Association has transferred substantially all the risks and rewards associated with that contract. Other receivables are stated at invoice value less an allowance for impairment losses. Trade and other receivables are subsequently measured at amortized cost as the business model is to collect contractual cash flows and the debt meets the SPPI criterion.

Investments in Debt Securities at Amortized Costs
Investment in treasury bills and treasury bonds issued by the Philippine Government are held primarily to collect the contractual cash flow rather than selling the asset prior to its maturity. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss.

(ii) Debt Instruments Classified as at FVTOCI
The Association has no financial assets held at FVTOCI. But debt instruments classified as at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these financial assets as a result of foreign exchange gains and losses (see below), impairment gains or losses (see below), and interest income calculated using the effective interest method (see (i) above) are recognized in profit or loss.

The amounts that are recognized in profit or loss are the same as the amounts that would have been recognized in profit or loss if these financial assets were to be measured at amortized cost. All other changes in the carrying amount of these financial assets are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When these financial assets are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

(iii) Equity Instruments Designated as at FVTOCI
On initial recognition, the Association may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investment revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings. Dividends on these investments in equity instruments are recognized in profit or loss in accordance with PFRS 9 unless the dividends clearly represent a recovery of part of the cost of the investment.

The Association designated all investments in equity instruments that are not held for trading as at FVTOCI on initial recognition.

A financial asset is held for trading if: (1) it has been acquired principally for the purpose of selling it in the near term; or (2) on initial recognition it is part of a portfolio of identified financial instruments that the Association manages together and has evidence of a recent actual pattern of short-term profit-taking; or (3) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

(iv) *Financial Assets at FVTPL*
Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI [see (i) to (iii) above] are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Association designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition [see (iii) above].

- Debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria [see (i) and (ii) above] are classified as at FVTPL. In addition, debt instruments that meet either the amortized cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Association has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship (the Association has no hedge investments). The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other services and other income' line item. Fair value is determined in the manner described in the Association's significant accounting policies.

Impairment of Financial Assets
The Association recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost or at FVTOCI, lease receivables, trade receivables and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Association always recognizes lifetime ECL (expected credit losses) for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Association's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Association recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Association measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) *Significant Increase in Credit Risk*
In assessing whether the credit risk on a financial instrument has increased significantly since initial

recognition, the Association compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Association considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Association's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Association's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- Significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g., a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost;

- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- An actual or expected significant deterioration in the operating results of the debtor;

- Significant increases in credit risk on other financial instruments of the same debtor; and

- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Association presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Association has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Association assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if: (1) the financial instrument has a low risk of default; (2) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and (3) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Association considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

The Association regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) *Definition of Default*
The Association considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable: (1) when there is a breach of financial covenants by the debtor; or (2) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Association, in full (without taking into account any collateral held by the Association).

Irrespective of the above analysis, the Association considers that default has occurred when a financial asset is more than 90 days past due unless the Association has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) *Credit-impaired Financial Assets*
A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events: (a) significant financial difficulty of the issuer or the borrower; (b) a breach of contract, such as a default or past due event (see (ii) above); (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or (e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) *Write-Off Policy*
The Association writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Association's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

(v) *Measurement and Recognition of Expected Credit Losses (ECL)*
The measurement of expected credit losses is a function of the probability of default, loss given default (i.e., the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Association's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Association in accordance with the contract and all the cash flows that the Association expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with PFRS 16.

For a financial guarantee contract, as the Association is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Association expects to receive from the holder, the debtor or any other party.

If the Association has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Association measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which the simplified approach was used.

The Association recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of Financial Assets
The Association derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Association neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Association recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Association retains substantially all the risks and rewards of ownership of a transferred financial asset, the Association continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in an equity instrument which the Association has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss but is transferred to retained earnings.

Financial Liabilities and Equity

Classification as Debt or Equity
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity Instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Financial Liabilities
All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Association, are measured in accordance with the specific accounting policies set out below.

Financial Liabilities at FVTPL
Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) designated as at FVTPL.

A financial liability is classified as held for trading if: (a) it has been acquired principally for the purpose of repurchasing it in the near term; or (b) on initial recognition it is part of a portfolio of identified financial instruments that the Association manages together and has a recent actual pattern of short-term profit-taking; or (c) it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if: (1) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or (2) the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed, and its performance is evaluated on a fair value basis, in accordance with the Association's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or (3) it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognized in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'other services and other income' line item in profit or loss.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guaranty contracts issued by the Association that are designated by the Association as at FVTPL are recognized in profit or loss.

Financial Liabilities Measured Subsequently at Amortized Cost
Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated as at FVTPL, are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

Derecognition of Financial Liabilities
The Association derecognizes financial liabilities when, and only when, the Association's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

When the Association exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Association accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognized in profit or loss as the modification gain or loss within other gains and losses.

Prepayments
Prepaid expenses are expenditures paid for in one accounting period, but for which the underlying assets will not be consumed until a future period. When the asset is eventually consumed, it is charged to expense. Prepayments are carried at cost and are amortized on a straight-line basis, over the period of intended usage, which is equal to or less than 12 months or within the normal operating cycle.

Furniture, Fixtures and Office Equipment
Furniture, fixtures and office equipment are stated at cost less accumulated depreciation. Such a cost includes the cost of replacing part of such furniture, fixtures and office equipment when that cost is incurred, if the recognition criteria are met.

Depreciation is computed on the straight-line method over the estimated useful lives of the assets, which is five (5) years.

An item of furniture, fixtures and office equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income in the year the asset is derecognized.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The carrying values of furniture, fixtures and office equipment are reviewed for impairment when changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The recoverable amount of the Association's furniture, fixtures and office equipment is the greater of net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's-length transaction.

Impairment of Non-Financial Assets
The Association's furniture, fixtures and office equipment and other assets are subject to impairment testing. Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amounts 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, some assets are tested individually for impairment and some are tested at cash-generating unit level. An impairment loss is recognized for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting the market conditions less cost to sell, and value in use, based on an internal evaluation of discounted cash flow. All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the previously recognized impairment loss.

Actuarial Policies
Actuarial liabilities (reserves for life policy and members' equity) are computed by the Consulting Actuary of the Association using actuarial practices generally accepted in the Philippines. Actuarial liabilities and other policy liabilities represent the estimated amounts which, together with estimated future premiums and net investment income, will provide for outstanding claims, estimated future benefits, and expenses on in-force policies.

In calculating actuarial liabilities, assumptions must be made about the timing and amount of many events, including death, investment, inflation, policy termination, expenses, taxes, premiums and commissions. The Association uses best estimate assumptions for expected future experience. Uncertainty is inherent in the process, as no one can accurately predict the future. Some assumptions relate to events that are anticipated to occur for many years in the future and are likely to require subsequent revision.

Additional provisions are included in the actuarial liabilities to provide for possible adverse deviations from the best estimates. If the assumption is more susceptible to change or if the actuary is less certain about the underlying best estimate assumption, a correspondingly larger provision is included in the actuarial liabilities. In determining these provisions, the Association ensures: (a) when taken one at a time, the provision is reasonable with respect to the underlying best estimate assumption, and the extent of uncertainty present in making that assumption, and (b) in total, the cumulative effect of all provisions is reasonable with respect to the total actuarial liabilities.

With the passage of time and resulting reduction in estimation risk, the provisions are released into income. The best estimate assumptions and margins for adverse deviations are reviewed annually and revisions are made where deemed necessary and prudent.

Recording of Claims from Policyholders
Claims incurred comprise settlement and handling costs of paid and outstanding claims arising during the year and adjustments to prior year claim provisions. Outstanding claims comprise claims incurred up to, but not paid, at the end of the year, whether reported or not.

Revenue and Cost Recognition
The Association's revenue arises primarily from the premium contributions of members and secondarily from investment-related transactions such as investment income, dividend income, interest income and other sources of revenue.

Management has determined that the revenue from premium contributions of members is within the scope of PFRS 4 *Insurance Contracts* while the income from investments in financial instruments are within the scope of PFRS 9 *Financial Instruments*. Income from other sources is within the scope of PFRS 15 *Revenue from Contracts with Customers*.

PFRS 4 defines an insurance contract as a 'contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.' PFRS 4 temporarily exempts the Association from some requirements of other PFRSs until the efficacy of PFRS 17, beginning January 1, 2023. (Per IC Circular Letter No. 218-69, dated December 28, 2018) This Circular was further amended by Circular Letter No. 2020-62, dated May 18, 2020, further extending the implementation of IFRS 17 to January 1, 2025. However, the Standard: (a) prohibits provisions for possible claims under contracts that are not in existence at the reporting date; (b) requires a test for the adequacy of recognized insurance liabilities and an impairment test for reinsurance assets, and (c) requires an insurer to keep insurance liabilities in its balance sheet until they are discharged or cancelled, or expire, and prohibits offsetting insurance liabilities against related reinsurance assets and income or expense from reinsurance contracts against the expense or income from the related insurance contract.

The Association recognizes revenue as follows:

(1) *Premium Contributions*
This represents considerations given by the member in exchange for the promises of the MBA 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 MBA and/or membership certificates. Under the provisions of PFRS 4, the Association recognizes premium contributions as earned when collected with corresponding allocation as approved by the Insurance Commission (IC). The proportion of the premiums collected pertaining to periods after the reporting date is carried forward to subsequent accounting periods as unearned premiums, so that earned premiums relate to risks carried during the accounting period.

The members' gross premium contributions are allocated as follows:

- 50% goes to the reserve for members' equity, intended for members' entitlements of equity value after three (3) full years of continuous membership in the Association, representing 50% of the total membership dues collected less claims paid;
- 25% goes to cover basic benefits of members;
- 5% goes to guarantee fund; and
- the remaining 20% goes to general operations, to cover administrative costs.

The Association collects its premiums through Nueva Segovia Consortium of Cooperatives Federation (NSCC Federation), an affiliate.

(2) *Investments Income*
Income from investments is accounted for under PFRS 9 *Financial Instruments*. Income from investments in debt and equity equities held to collect contractual cash flows (rather than to sell the instrument prior to its contractual maturity to realize its fair value changes) are recognized at amortized cost, with interest income recognized at the effective interest rate.

(3) *Non-Insurance Revenues*
The Association recognizes non-insurance revenues in accordance with PFRS 15 *Revenue from Contracts with Customers* at an amount that reflects the consideration to which the Association is expected to be entitled in exchange for transferring goods or services to a customer.

For each contract with a customer, the Association:

(1) Identifies the contract with a customer;
(2) Identifies the performance obligations in the contract;
(3) Determines the transaction price which takes into account estimates of variable consideration and the time value of money;
(4) Allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and
(5) Recognizes revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognized as deferred revenue in the form of a separate refund liability.

(4) *Cost and Expenses*
Costs and expenses are recognized in the statement of profit or loss when a decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen, which can be measured reliably. Costs and expenses are recognized in the statement of profit or loss: i) on the basis of a direct association between the cost incurred and the earnings of specific items of income; ii) 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 iii) immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset.

Insurance-related costs are accounted as follows:

- Changes in the required actuarial and other reserves are recognized as expenses during the year.
- Plan benefits and claims paid to members, including refund of members' equity value, are recognized for benefits availed of by members/beneficiaries.
- Collection costs (representing commissions to collecting affiliate) are due and payable for every premium income recognized. Commission rates are based on IC-approved rates.

(5) *Grants, Donations and Other Income*
Grants, donations and other income received are valued at fair market value at the time the grants are received.

Compensation and Employees Benefits Expense
Employee benefits are all forms of consideration given by the Association in exchange for services rendered by employees or for the termination of their employment in the Association. The Association recognizes: (a) a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and (b) an expense when the Association consumes the economic benefit arising from the service provided by an employee in exchange for employee benefits. The following represent the accounting followed by the Association for all types of employee benefits, except share-based payment, to which there is none.

- *Short-Term Employee Benefits*
  Short-term employee benefits are those expected to be settled wholly before twelve months after the end of the annual reporting period during which employee services are rendered, but do not include termination benefits. These benefits include wages, salaries and bonuses (if there are any) and non-monetary benefits paid to current employees. These are recognized when the employee has rendered the service and are measured at the undiscounted amounts of benefits expected to be paid in exchange for that service.

  The benefits also include compensated absences which are recognized for the number of paid leave days (including holiday entitlement) remaining at the reporting date. The expected cost of short-term compensated absences is recognized as the employees render service that increases their entitlement or, in the case of non-accumulating absences, when the absences occur, and includes any additional amounts the Association expects to pay as a result of unused entitlements at end of period. The amounts recognized are included in the Trade and Other Payables account in the statement of financial position at undiscounted amount that the Association expects to pay as a result of the unused entitlement.

- *Post-Employment Benefit Plans*
  Post-employment benefit plans that are provided to employees only cover their retirement benefits, which are paid in lump sum payments at the time of their retirements. The retirement benefits are provided to employees through a defined benefit plan. A defined benefit plan is a retirement plan that defines the amount of retirement benefit an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for the benefits of the retirement plan remains with the Association, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Association's defined benefit retirement plan covers all regular full-time employees.

  The Association computed its retirement benefit obligations beginning 2021 based on the provisions of R.A. 7641. The Association's work force is considered young. The Board of Trustees is cognizant of the need to provide post-employment benefits to its employees; however, the cost-benefit estimate favors using the provisions of R.A. 7641 and no actuarial services were engaged presently at this time on the issue of the immateriality of the amount involved.

- *Termination Benefits*
  Termination benefits are payable when employment is terminated by the Association before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Association recognizes termination benefits when it is demonstrably committed to either: (a) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or (b) providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the statement of financial position date are discounted to present value.

Leases – The Association as Lessee
The Association assesses whether a contract is or contains a lease, at inception of the contract. The Association recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these low value leases, the Association recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. Presently, the Association considers its lease of office space as low value lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Association uses its incremental borrowing rate. The Association has no borrowings, but it is investing funds. It uses the average rates that its investments in financial instruments are getting as the discounted rate justifying that it becomes the opportunity cost when such investible funds are used to the leases.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payment of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Association remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Association did not make any such adjustments during the period presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Association incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under PAS/IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Association expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets, if any, are presented as a separate line item in the statement of financial position.

The Association applies PAS/IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Furniture, Fixtures and Office Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Rent" in the statement of profit or loss.

As a practical expedient, PFRS 16 permits a lessee not to separate non-lease components, and instead accounts for any lease and associated non-lease components as a single arrangement. The Association has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Association allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Leases – The Association as Lessor

Leases for which the Association is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Association is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Association's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Association's net investment outstanding in respect of the leases. Subsequent to initial recognition, the Association regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of PFRS 9, recognizing an allowance for expected credit losses on the lease receivables.

Finance lease income is calculated with reference to the gross carrying amount of the lease receivables, except for credit-impaired financial assets for which interest income is calculated with reference to their amortized cost (i.e., after a deduction of the loss allowance). When a contract includes both lease and non-lease components, the Association applies PFRS 15 to allocate the consideration under the contract to each component.

The Association is not a lessor of properties.

Related Party Relationships and Transactions
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; (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.

Contingencies
A contingency arises when there is a situation for which the outcome is uncertain, and which should be resolved in the future, possibly creating a loss. The accounting for a contingency is essentially to recognize only those losses that are probable and for which a loss amount can be reasonably estimated. Contingent assets are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable. Contingent liabilities are not recognized either, but these are generally disclosed unless the possibility of an outflow of resources is remote.

Provisions
Provisions are recognized when the Association has a present obligation (legal or constructive) as a result of a past event, it is probable that the Association will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where 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 the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a 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.

Events After Reporting Date
Post year-end events that provide additional information about the Association's position at the reporting date (adjusting events), are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

Note 3
Significant Accounting Estimates and Judgments

In applying the Association's accounting policies, which are described in Note 2, *Summary of Significant Accounting Policies*, the management of the Association are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognized and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical Judgements in Applying the Association's Accounting Policies
The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the management of the Association have made in the process of applying the accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

Business Model Assessment
Classification and measurement of financial assets depends on the results of the SPPI and the business model tests. The Association determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated.

The Association monitors financial assets measured at amortized cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Association's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

Significant Increase in Credit Risk
Expected credit losses (ECL) are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. PFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Association takes into account qualitative and quantitative reasonable and supportable forward-looking information.

Key Sources of Estimation Uncertainty
The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Calculation of Loss Allowance
When measuring ECL the Association uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

Fair Value Measurements and Valuation Processes
Some of the Association's assets and liabilities are measured at fair value for financial reporting purposes. Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. In estimating the fair value of an asset or a liability, the management uses market-observable data to the extent it is available. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible; but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Estimating Useful Lives of Property and Equipment
The Association reviews annually the estimated useful lives of its property and equipment based on expected asset utilization. It is possible that future results of operations could be materially affected by changes in these estimates. A reduction in the estimated useful lives of these properties would increase recorded depreciation and amortization expense and decrease the related asset accounts.

Impairment of Non-Financial Assets
In assessing impairment, management estimates the recoverable amount of each asset based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Retirement Benefits
The determination of the Association's obligation and cost for pension and other employee benefits is dependent on the selection of certain assumptions used by management in calculating such amounts. While the Association believes that the assumptions used are reasonable and appropriate, significant differences in the actual experience or significant changes in assumptions may materially affect employee benefit obligations.

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 2.

Note 4
Cash and Cash Equivalents

This account consists of the following:

December 31,	**2022**	2021
Petty cash fund	**₱10,000**	₱10,000
Cash in banks	**3,489,643**	4,257,574
Cash equivalents	**5,135,211**	5,074,829
	₱8,634,854	₱9,342,403

The cash in banks earn interest at the prevailing market rates. The cash equivalents represent time deposits in commercial banks with maturity dates ranging from 30 to 90 days but can be withdrawn at any time before maturity.

Interest income earned from bank deposits amounted ₱85,466 in 2022 and ₱72,272 in 2021.

Note 5
Receivables from Agents and Others

This account consists of the following:

December 31,	**2022**	2021
Accounts receivable – agents	**₱178,351**	₱435,235
Advances to officers and employees	**487,661**	429,840
Accrued interest receivable	**40,428**	8,883
Total	**706,440**	873,958
Less allowance for expected credit losses (ECL)	**221,988**	258,008
Net	**₱484,452**	₱615,950

Nature of the Receivables
The receivable from agent consists principally of receivables from KFI Center for Community Development Foundation, Inc. (KCCDFI), a micro-finance NGO based in Zamboanga City, whose main office and branches serve as the collecting agents of the Association. The receivables represents actual collections of agents at the end of the year but are subsequently remitted to the Association on a staggered basis. The Association recognizes the delay in the remittances of the agents of its collection of members' contributions, and as agreed, interest at 6% per annum are charged on the unremitted amount.

Total interest income earned on the unremitted collections amounted ₱57,979 in 2022 and ₱538,375 in 2021.

By Age of the Accounts

December 31, 2022	*Current*	*Past Due*	***Total***
Accounts receivable – agents	₱178,351	₱–	**₱178,351**
Advances to officers and employees	487,661	–	**487,661**
Accrued interest receivable	40,428	–	**40,428**
	₱706,440	₱–	**₱706,440**
December 31, 2021	*Current*	*Past Due*	***Total***
Accounts receivable – agents	₱435,235	₱–	**₱435,235**
Advances to officers and employees	429,840	–	**429,840**
Accrued interest receivable	8,883	–	**8,883**
	₱873,958	₱–	**₱873,958**

Allowance for Expected Credit Losses (ECL)
The receivables are provided with 12-month ECL at 1% of principal for current 30 days and 34% for past due less than one year. Accounts past due for over 1 year have been provided with lifetime ECL at 100%.

A reconciliation of the allowance for expected credit losses during the period is presented as follows:

December 31,	**2022**	2021
Opening balances	**₱258,008**	₱258,008
Accounts written-off	**(36,020)**	–
Closing balances	**₱221,988**	₱258,008

No ECL was provided during the year as the existing allowance already covers the required ECL.

The accounts written-off during the year represent the unremitted members' contributions that have been uncollected over long periods of time and have been recommended by management for write-off after exhausting all possible collection strategies. The accounts written-off have been approved by the Board of Directors.

Management believes the remaining receivables were not impaired at the end of the year.

Note 6
Details of Prepayments and Other Current Assets

December 31,	**2022**	2021
Unused office supplies	**₱38,110**	₱15,000
Prepaid taxes and licenses	**58,075**	88,375
	₱96,185	₱103,375

Management believes that these assets were not impaired at the end of the year.

Note 7
Investments in Debt and Equity Securities

This account consists of the following investments in:

December 31,	**2022**	2021
Investment in debt securities at amortized cost	**₱98,176,313**	₱92,827,432
Investment in equity securities at FVTOCI	**10,034,636**	11,039,551
Total	**108,210,949**	103,866,983
Less presented under current portion	**44,683,783**	41,627,670
Presented under non-current portion	**₱63,527,166**	₱62,239,313

Investment in Debt Securities Accounted at Amortized Cost
These investments were acquired through the following banks:

December 31,	**2022**	2021
Treasury Bills		
Land Bank of the Philippines (LBP)	**₱17,292,733**	₱16,847,808
Metropolitan Bank and Trust Company (MBTC)	**14,038,884**	19,961,084
Total	**31,331,617**	36,808,892
Retail Treasury Bonds		
Metropolitan Bank and Trust Company (MBTC) – unrestricted	**28,764,364**	17,859,381
Metropolitan Bank and Trust Company (MBTC) – restricted	**20,075,553**	20,096,112
Land Bank of the Philippines (LBP) – unrestricted	**18,004,779**	18,063,047
Total	**66,844,696**	56,018,540
	₱98,176,313	₱92,827,432

The Association earned interest income from the investments totaling ₱3,450,609 in 2022 and ₱1,663,788 in 2021.

Treasury Bills
Treasury bills represent short-term, zero-coupon investments in quoted government debt securities which are typically issued at a discount on its face value. The treasury bills purchased through LBP and MBTC will mature on various dates in 2023.

The roll forward analysis of this account is as follows:

December 31,	**2022**	2021
Face value	**₱31,454,000**	₱36,891,000
Net discount	**(122,383)**	(82,108)
Carrying amount	**₱31,331,617**	₱36,808,892

Retail Treasury Bonds
Retail treasury bonds are medium- to long-term, coupon investments in quoted government debt securities which are issued either at a premium or discount on its face value.

The retail treasury bonds purchased through LBP have coupon rates ranging from 2.375% to 4.1% that will mature on February 11, 2023 and June 2, 2027. The retail treasury bonds purchased through MBTC have coupon rates ranging from 2.3900% to 4.875% February 11, 2023, March 9, 2024, August 12, 2025, October 20, 2026, March 4, 2027 and June 2, 2027.

The roll forward analysis of the unrestricted account is as follows:

December 31,	**2022**	2021
Face value	**₱66,510,000**	₱55,570,000
Net premium	**334,696**	448,540
Carrying amount	**₱66,844,696**	₱56,018,540

Restrictions on Investments in Debt Securities
The Association assigns to the Insurance Commission (IC) its investments in debt securities to guaranty the benefits and security of policyholders and creditors of the Association, in accordance with the provisions of The Amended Insurance Code (R.A. No. 10607). The Association assigned retail treasury bonds purchased through MBTC amounting to ₱20,075,553, with face value of ₱20,070,000, to cover the Guaranty Fund of ₱18,782,823. (See Note 13.)

Investment in Equity Securities Accounted at Fair Value through Other Comprehensive Income (FVTOCI)
On May 11, 2022, the Association terminated the Unit Investment Trust Fund (UITF) investments in BPI's Bayanihan Balanced Fund. Total proceeds amounted to ₱11,036,633, from the original placement of ₱10 million, resulting in net investment income of ₱1,036,633. The Association subsequently placed another ₱10 million in BPI's Bayanihan Balanced Fund. This new placement has a fair value at the end of 2022 amounting to ₱10,034,636. The increase in value of the investment, amounting to ₱34,636, was recorded in the other comprehensive income for the year.

Note 8
Property and Equipment and Right-of-Use Asset – Net

Details of Property and Equipment – Net

December 31,	**2022**	2021
Property and Equipment		
Furniture, fixtures and office equipment	**₱1,357,333**	₱1,085,060
Transportation equipment	**709,000**	709,000
Leasehold improvements	**111,558**	111,558
Total	**2,177,891**	1,905,618
Less accumulated depreciation	**1,752,326**	1,546,283
Net Book Value	**₱425,565**	₱359,335

Reconciliation of the Movements of the Accounts

December 31, 2022	*Opening Balances*	*Additions*	*Retirements*	***Closing Balances***
Cost				
Furniture, fixtures & office equipment	₱1,085,060	₱272,274	₱–	**₱1,357,334**
Transportation equipment	709,000	–	–	**709,000**
Leasehold improvements	111,558	–	–	**111,558**
Total	1,905,618	272,274	–	**2,177,892**
Less accumulated depreciation				
Furniture, fixtures & office equipment	1,038,101	60,254	–	**1,098,355**
Transportation equipment	408,633	137,866	–	**546,499**
Leasehold improvements	99,549	7,923	–	**107,472**
Total	1,546,283	206,043	–	**1,752,326**
Net Book Value	₱359,335	₱66,231	₱–	**₱425,566**
December 31, 2021				
Cost				
Furniture, fixtures & office equipment	₱1,044,320	₱40,740	₱–	**₱1,085,060**
Transportation equipment	709,000	–	–	**709,000**
Leasehold improvements	111,558	–	–	**111,558**
Total	1,864,878	40,740	–	**1,905,618**
Less accumulated depreciation				
Furniture, fixtures & office equipment	995,034	43,067	–	**1,038,101**
Transportation equipment	266,833	141,800	–	**408,633**
Leasehold improvements	91,626	7,923	–	**99,549**
Total	1,353,493	192,790	–	**1,546,283**
Net Book Value	₱511,385	(₱152,050)	₱–	**₱359,335**

Right-of-Use Assets – Net

This consists of the following:

December 31,	**2022**	2021
Right-of-use asset	**₱1,087,035**	₱1,087,035
Less accumulated depreciation	**492,243**	369,183
Net Book Value	**₱594,792**	₱717,852

The Association has a lease contract for the use of its office space which covers ten (10) years, effective from November 1, 2017 to October 31, 2027, at a monthly rate of ₱15,000. In view thereof, the Association recognizes right-of-use asset for eight (8) years, and it is reflected in the statement of financial position as a right-of-use asset and a lease liability.

The Association discounted the future lease payments at 8.50% per annum, the incremental borrowing rate based on an actual offer of a bank for a loan that is collateralized by the investment in financial instruments invested in the same bank. The observable rate was no longer adjusted for credit risk and other factors as management determined that any adjustments are immaterial. Total interest expense amounted ₱68,106 in 2022 and ₱76,873 in 2021.

The Association initially recognized in 2019 the right-of-use asset at ₱1,087,035 and recognized the corresponding lease liability amounting to ₱999,433. The depreciation was computed at ₱123,061 both in 2022 and 2021.

Total lease payments (including interest) amounted ₱180,000 both in 2022 and 2021.

Accounting of the Movement of Right-of-Use Assets

December 31, 2022	*Opening Balances*	*Additions*	*Retirement*	***Closing Balances***
Right-of-use asset	₱1,087,035	₱–	₱–	**₱1,087,035**
Less accumulated depreciation	369,183	123,061	–	**492,244**
Net Book Value	₱717,852	(₱123,061)	₱–	**₱594,791**
December 31, 2021				
Right-of-use asset	₱1,087,035	₱–	₱–	**₱1,087,035**
Less accumulated depreciation	246,122	123,061	–	**369,183**
Net Book Value	₱840,913	(₱123,061)	₱–	**₱717,852**

Details of Lease Liability

December 31,	**2022**	2021
Current (portion due for the next 12 months)	**₱111,893**	₱111,893
Non-current (portion due in excess of 12 months, until October 31, 2027)	**577,471**	689,365
Total Lease Liability	**₱689,364**	₱801,258

Each lease generally imposes a restriction that, unless there is a contractual right for the Association to sublet the asset to another party, the right-of-use asset can only be used by the Association. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to purchase the underlying leased asset outright at the end of the lease, or to extend the lease for a further term. The Association is prohibited from selling or pledging the underlying leased assets as security.

For leases over office spaces premises, the Association must keep the properties in good states of repair and return the properties in their original condition at the end of the lease. Further, the Association must insure items of property and equipment and incur maintenance fees on such items in accordance with the lease contracts.

Note 9
Trade and Other Payables

This account consists of the following:

December 31,	**2022**	2021
Accrued expenses	**₱1,128,966**	₱831,769
Retirement benefit obligations (See paragraph below.)	**775,833**	613,433
Accounts payable – others	**200,000**	200,000
Unearned premiums	**3,260**	2,850
	₱2,108,059	₱1,648,052

Accrued expenses include unpaid commissions to agents; accounts payable – others represents a trust fund payable.

Retirement Benefit Obligation
The Association's regular/permanent employees are provided with retirement benefits beginning 2022, based on the 67% of the gross salaries of the entitled employees plus one-twelfth (1/12) of the 13th month pay. The policy defines the amount of retirement benefit an employee will receive at the time of retirement or separation from service. The legal obligation on the payment of the retirement benefits to the employees remains with the Association. The retirement plan is noncontributory and is presently unfunded.

Total pension expenses charged to operations amounted to ₱162,400 in 2022.

The management of the Association recognizes the fact that the recorded retirement benefit liability is not based on actuarial valuations, it considers the anticipated effect of the matter to be presently immaterial. The management will access the services of an Actuary as soon as there is need to do so.

Trade and other payables are non-interest-bearing and are generally on a 30-day or 60-day credit terms.

Note 10
Insurance Contract Liabilities

This account consists of the following:

December 31,	**2022**	2021
Incurred but not reported claims	**₱384,727**	₱469,182
Claims due and unpaid	**120,702**	149,512
Claims in the course of settlement	**10,000**	125,500
	₱515,429	₱744,194

Incurred but not reported claims is the sum of individual claims on membership certificates that have already occurred, but notice has not been received by MBA before reporting date. These refers to deaths which occurred before December 31, 2022 but were reported after December 31, 2022.

Claims due and unpaid benefits represent claim benefits that have been processed and that the Association recognizes liability on the claims by the member or its beneficiaries. The aggregate liability includes checks payments that are still outstanding at the accounting office for various reasons like returned/staled checks, undelivered checks to addressees either because the addressees changed addresses or refused to accept payment, etc.

Claims in the course of settlement are claims reported and unpaid at the end of the year pending submission of documentary requirements. No decision has yet been made whether to deny or to pay the claim. Resisted or denied claims, if any, are claim benefit applications whose benefit payments are being contested/resisted by the Association due to infraction(s) of the Association's Rules and Regulations.

The amounts recorded as insurance contract liabilities were certified by the Association's Actuary to be in accordance with sound actuarial principles.

Total basic and optional benefits paid to members amounted ₱7,725,140 in 2022 and ₱9,952,986 in 2021.

Note 11
Aggregate Reserves for Unexpired Risks

This consists of the following reserves:

December 31,	**2022**	2021
Aggregate reserves for members' equity	**₱44,902,701**	₱37,764,873
Aggregate reserves for credit policies	**485,709**	494,464
Aggregate reserves for life policies	**189,143**	175,432
	₱45,577,553	₱38,434,769

The movements of the reserves during the year are as follows:

December 31, 2021	*Reserves for Credit Policies*	*Reserves for Members' Equity*	*Reserves for Life Policies*	*Total*
Provisions during 2008	₱–	₱13,562,425	₱–	**₱13,562,425**
Provisions during 2009	608,497	7,044,721	199,282	**7,852,500**
Provisions during 2010	201,500	6,241,570	84,297	**6,527,367**
Provisions during 2011	315,117	5,361,161	(71,374)	**5,604,904**
Provisions during 2012	(108,107)	5,318,774	8,659	**5,219,326**
Provisions during 2013	(300,315)	4,374,946	(14,421)	**4,060,210**
Provisions during 2014	(251,350)	2,355,337	1,397	**2,105,384**
Provisions during 2015	(142,161)	(146,676)	(37,897)	**(326,734)**
Provisions during 2016	9,256	1,409,321	(14,226)	**1,404,351**
Provisions during 2017	27,268	1,186,534	7,436	**1,221,238**
Provisions during 2018	30,118	(9,714,420)	(13,243)	**(9,697,545)**
Provisions during 2019	99,066	2,965,910	49,605	**3,114,581**
Provisions during 2020	(99,274)	1,983,354	(23,596)	**1,860,484**
Provisions during 2021	104,849	(4,178,084)	(487)	**(4,073,722)**
Balances, January 1, 2022	494,464	37,764,873	175,432	**38,434,769**
Provisions during 2022	(8,755)	7,137,828	13,711	**7,142,784**
Balances, December 31, 2022	₱485,709	₱44,902,701	₱189,143	**₱45,577,553**

The aggregate policy reserves represents the amount which is considered adequate to cover future guaranteed benefits as they become payable under the provisions of the policies in force. The reserve is the aggregate value of future guaranteed benefits less the present value of future net premiums.

In accordance with the provisions of the Insurance Code, every outstanding membership certificate must have an equity value to at least 50% of the total membership dues collected from the member less claims paid. The equity is payable to the members upon termination of their membership in the Association. In accordance with the same Code, the Association is required to put up a reserve liability not lower than the equity value of all in-force, active certificates as at the end of each calendar year; hence, the Association sets up the 50% of its gross premium collections as its reserves for members' equity.

The reserve for credit life insurance represents the amount which is considered adequate to cover future guaranteed benefits on a debtor pursuant to or in connection with his/her specific loans and other credit transactions with the members of the Association. The reserve for life policies represents the amount which is considered adequate to cover future guaranteed benefits as they become payable under the provisions of the policies in force. The reserve is the aggregate value of future guaranteed benefits less the present value of future net premiums.

The amounts of aggregate reserves for members' equity, credit policies and reserves for life policies for the years reported have been computed and certified by the Consulting Actuary of the Association to be in accordance with commonly accepted actuarial standards and with the Guidelines and Standards of the Actuarial Society of the Philippines consistently applied and are fairly stated in accordance with sound actuarial principles.

The Association recognized other income on the surrender charges amounting to ₱408,458 during 2022 and ₱360,167 during 2021.

Note 12
Retirement Trust Fund

The ₱5.00 contributions for retirement savings fund (See Note 16.) and any interest accruals thereon shall go to the Retirement Savings Account which is intended to finance the retirement obligations in the event of the members' resignation and termination of coverage. The fund incurs interest at 2% per annum which was reduced to 1% in 2022 as per Board Resolution No. 03, Series of 2022.

The cumulative retirement trust fund amounted ₱37,932,403 at the end of 2022 and ₱35,579,410 at the end of 2021. Interest incurred amounted ₱371,462 in 2022 and ₱282,135 in 2021.

The interest income or capital gains net of investment expenses that would be derived from the prudent account management of the Association's funds is allocated to the Investment Income Account which may be distributed to the Equity Account. After satisfying the minimum interest that must be credited to the Equity Account the remaining Investment Account may be allocated to the General Account.

Note 13
Guaranty Fund

This represents the amount required by the Insurance Commission (IC) to be established to guaranty the benefits and security of policyholders and creditors of the Association, in accordance with the provisions of The Amended Insurance Code (R.A. No. 10607). Every member of the Association is required to contribute equivalent to 5% of its weekly premium contribution as its contribution to the Guaranty Fund.

The Guaranty Fund is invested in quoted government debt securities held by the Bureau of the Treasury and is restricted in accordance with the policies set forth by the IC. (See Note 7.)

The following is the accounting of the Guaranty Fund:

December 31,	**2022**	2021
Opening balances	**₱17,892,540**	₱17,029,019
Contribution from members representing 5% of total premiums received	**890,283**	863,521
Closing balances	**₱18,782,823**	₱17,892,540

Note 14
General Fund

This represents portion of the fund balance that is not restricted. In accordance with Section 408, paragraph 3 of the Insurance Code, as amended (R.A. No. 10607), a mutual benefit association shall only maintain free and unassigned surplus of not more than twenty percent (20%) of its total liabilities. 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. In addition, subject to the approval of the Commissioner, a mutual benefit association may allocate a portion for capacity building and research and development, upgrading and improving operating systems and equipment, and continuing member education.

Note 15
Members' Benefits Fund

This account is composed of the Members' Benefits Fund, which are appropriations from the General Fund as per the recommendation of the Insurance Commission. The Fund represents a portion of the fund balance that shall be used to provide benefits to members.

The transactions during the year are accounted as follows:
(Please see table next page.)

December 31,	**2022**	2021
Opening balances	**₱439,038**	₱–
Allocations from General Fund	**2,260,299**	439,038
Direct charges during the year	**(73,966)**	–
Closing balances	**₱2,625,371**	₱439,038

The Association's Board of Trustees approved the initial appropriation of ₱439,038 in 2021 and ₱2,260,299 in 2022 from the General Fund to the Members' Benefits Fund.

Note 16
Members' Premium Contributions

The Association's members are charged twenty pesos (₱20.00) per week, during their active membership in the Association for basic life insurance (₱15.00) and for retirement savings fund (₱5.00).

Total premiums collected are as follows:

Years Ended December 31,	**2022**	2021
Gross members' premium contributions on life	**₱13,122,083**	₱12,704,843
Gross members' premium contributions for credit life policies	**4,683,594**	4,565,578
	₱17,805,677	₱17,270,421

In accordance with the Implementing Rules and Regulations of the Association's Basic Life Insurance Plan approved by the Insurance Commission (IC) on October 29, 2010, the Association disaggregates the members' contributions for basic life insurance of ₱15.00 into the following funds:

(a) 50% for Equity Account which is intended to support the members' equity or termination value and any other promised accrued interest earnings on equity value;

(b) 35% for Benefit Account which is intended to cover contractual benefits in the insurance plan such as death, disability or hospitalization;

(c) 5% for Guaranty Fund which is intended to build-up the guaranty fund as required by the Insurance Commission; and

(d) 10% for General Account which is intended to finance the general administrative costs and expenses in administering the insurance program.

Upon termination of Membership from KCCDFI MBA, the member shall be entitled to an equity value equivalent to at least 50% of all life insurance contributions made.

Every year, a number of members withdrew their equity from the Association. During 2022 and 2021, the total value of equity withdrawn amounted ₱3,510,341 and ₱3,792,264, respectively. The withdrawal of equity is treated as part of the benefits paid to members.

Gross premiums on credit life insurance plans are income from loans from members which are deducted upfront in the payment of the loan. The amount of contribution is based on the principal amount and term of loans.

Membership Fees
The members are also charged with one-time membership fee of ₱50.00, which is non-refundable and does

not form part of the members' accumulated and refundable contributions. The membership fee is intended to cover expenses incurred in processing the membership application. Total membership fees collected amounted ₱456,270 in 2022 and ₱361,900 in 2021.

Note 17
Assigned Surplus Fund

The Assigned Surplus Fund represents the equity value reserves of members whose policies have lapsed beyond the mandated reinstatement period of three (3) years restricted for a certain period and only becomes unrestricted (unassigned) after: (a) the Association has initiated at least two (2) actions to locate and inform said members of their equity value; and (b) the Association maintains a comprehensive schedule in the event that these members will make a claim in the future.

In accordance with agreements reached during the July 19, 2016 dialogue with the Insurance Commission (IC) and the Board of the Microinsurance MBA Association of the Philippines (RIMANSI) on the "Treatment of Equity Value of Members Before the Implementation of the Amended Insurance Code in 2013' (subsequently approved by the IC on October 16, 2016) the Association treated the floating equity value reserves of deceased, lapsed and resigned members as follows:

- The equity value reserves of deceased members are transferred to the Unassigned Surplus of the Fund Balance;

- The equity value reserves of members whose policies have lapsed beyond the mandated reinstatement period of three (3) years have been transferred to the Assigned Surplus of the General Fund, after the Association: (a) initiated at least two (2) actions to locate and inform said members of their equity value; and (b) maintained a comprehensive schedule in the event that these members will make a claim in the future; and

- The equity value reserves of resigned members before the amended Insurance Code of 2013, with less than three (3) years of membership have been transferred to the Unassigned Surplus of the Fund Balance.

During 2022, ₱279,275 representing the equity value of resigned members was reclassified to assigned surplus.

Note 18
Details of Other Income

Years Ended December 31,	**2022**	2021
Penalties and surcharges	**₱408,458**	₱360,168
Others	**279,827**	559,247
	₱688,285	₱919,415

Note 19
Details of Compensation and Employees' Benefits

Years Ended December 31,	**2022**	2021
Compensation and employees' benefits	**₱3,484,434**	₱3,074,561
Post-employment benefits *(Note 9)*	**162,400**	156,700
	₱3,646,834	₱3,231,261

Note 20
Details of General and Administrative Expenses

Years Ended December 31,	2022	2021
Meetings and conferences	**₱511,162**	₱377,981
Other members' benefits expense	**227,588**	84,415
Representations	**216,540**	164,069
Dues and subscriptions	**196,692**	179,314
Utilities expense	**191,692**	165,484
Taxes, licenses and fees *(Note 28)*	**158,019**	133,815
General assembly expenses	**135,712**	76,093
Technical and professional fees	**131,600**	99,600
Bank and other charges	**100,336**	88,822
Office supplies	**94,668**	89,612
Medical expenses	**76,698**	67,542
Interest expense on lease liability *(Note 8)*	**68,107**	76,873
Coordinators' monitoring expenses	**66,495**	172,039
Repairs and maintenance	**53,782**	29,611
Travel and transportation	**51,074**	29,565
Service fees	**31,750**	23,834
Insurance	**19,799**	17,887
Miscellaneous	**48,043**	41,561
	₱2,379,757	₱1,918,117

Note 21
Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Transactions with related parties are made at normal market prices. None of the transactions incorporate special terms and conditions and no guarantee is given or received. Outstanding balances are usually settled in cash.

Significant of these related party transactions are as follows:

1) In the ordinary course of trade or business, the Association accepts insurance business from the members of KFI Center for Community Development Foundation, Inc. (KCCDFI). Total annual gross members' premium contributions for life and credit life policies amounted ₱17,805,677 in 2022 and ₱17,270,421 in 2021. (See Note 16.)

2) The Head Office and branches of KCCDFI act as the collecting agents of the Association for certain collection fees. Total collection costs incurred amounted ₱1,558,867 in 2022 and ₱1,567,786 in 2021.

3) The collecting agent has unremitted collections from Association's members amounting to ₱178,351 in 2022 and ₱435,235 in 2021, of which, interest is charged to the collecting agent for the period the accounts remain unremitted. Total interest earned from the receivables amounted ₱57,979 in 2022 and ₱538,375 in 2021. (See Note 5.)

4) The key management personnel of the Association include all personnel having the position of General Manager and above.

5) The key management compensation follows:

Years Ended December 31	**2022**	2021
Compensation and employees' benefits	**₱659,500**	₱538,360
Post-employment benefits	**38,700**	33,000
	₱698,200	₱571,360

Note 22
Fair Value Measurement

Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed
The following table summarizes the fair value hierarchy of the Association's financial assets and liabilities which are not measured at fair value in the 2022 and 2021 statement of financial condition but for which fair value is disclosed.

December 31, 2022	*Level 1*	*Level 2*	*Level 3*	***Total***
Financial assets				
Cash and cash equivalents *(Note 4)*	₱8,634,854	₱–	₱–	**₱8,634,854**
Receivable from agents, etc. *(Note 5)*	–	–	484,452	**484,452**
Invstmnts in debt/equity secu. *(Note 7)*	108,210,949	–	–	**108,210,949**
	₱116,845,803	₱–	₱484,452	**₱117,330,255**
Financial liabilities				
Lease liability *(Note 8)*	₱–	₱–	₱689,364	**₱689,364**
Trade and other payables *(Note 9)*	–	–	2,108,059	**2,108,059**
Insurance contract liab. *(Note 10)*	–	–	515,429	**515,429**
Retirement trust fund *(Note 12)*	–	–	37,932,403	**37,932,403**
	₱–	₱–	₱41,245,255	**₱41,245,255**
December 31, 2021				
Financial assets				
Cash and cash equivalents *(Note 4)*	₱9,342,403	₱–	₱–	**₱9,342,403**
Receivable from agents, etc. *(Note 5)*	–	–	615,950	**615,950**
Invstmnts in debt/equity secu. *(Note 7)*	103,866,983	–	–	**103,866,983**
	₱113,209,386	₱–	₱615,950	**₱113,825,336**
Financial liabilities				
Lease liability *(Note 8)*	₱–	₱–	₱801,258	**₱801,258**
Trade and other payables *(Note 9)*	–	–	1,648,052	**1,648,052**
Insurance contract liab. *(Note 10)*	–	–	744,194	**744,194**
Retirement trust fund *(Note 12)*	–	–	35,579,410	**35,579,410**
	₱–	₱–	₱38,772,914	**₱38,772,914**

For financial assets and financial liabilities with fair values included in Level 1, management considers that the carrying amounts of those short-term financial instruments equal their fair values. The fair values of the financial assets and financial liabilities included in Level 3 above which are not traded in an active market is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Association uses valuation technique, it maximizes the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

Fair Value Measurement for Non-Financial Assets
The table in the following page shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis as of December 31, 2022 and 2021.

December 31, 2022	*Level 1*	*Level 2*	*Level 3*	***Total***
Property and equipment *(Note 8)*	₱–	₱–	₱425,566	**₱425,566**
Right-of-use asset *(Note 8)*	–	–	594,791	**594,791**
	₱–	₱–	₱1,020,357	**₱1,020,357**
December 31, 2021				
Property and equipment *(Note 8)*	₱–	₱–	₱359,335	**₱359,335**
Right-of-use asset *(Note 8)*	–	–	717,852	**717,852**
	₱–	₱–	₱1,077,187	**₱1,077,187**

The Level 3 fair value of the buildings and improvements included under the Property and Equipment account was determined using the cost approach that reflects the cost to a market participant to construct an asset of comparable usage, construction standards, design and layout, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees. These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

Note 23
Capital Management Objectives, Policies and Procedures

The Association's capital management objectives are: (1) to ensure the Association's ability to continue as a going concern, and (2) to ensure sufficient solvency margins to adequately protect its members. To attain these objectives, the Association maintains a certain level of capital that is usually higher than the minimum requirements set by the Insurance Commission (IC). To ensure compliance with IC-imposed capital requirements, it is the Association's policy to monitor its entire equity (fund balance section of its statement of financial position) on a quarterly basis as part of the Association's internal financial reporting process.

Compliance with Capitalization Requirements
In accordance with the provisions of Chapter VII, Title 1, Section 405 of R.A. 10607, *The Amended Insurance Code*, a mutual benefit association incorporated after the effectivity of the Code shall constitute and establish a Guaranty Fund with initial amount of ₱5 million, in cash or in government securities, to answer for any valid benefit claim of any of its members.

The Association has complied with this requirement by having established its Guaranty Fund of ₱18,782,823 (See Note 13) and having funded it with investments in debt securities amounting to ₱20,075,553 (with face value of ₱20,070,000, See Note 7). These funds are intended to be higher than the required level of Guaranty Fund to allow the Association adequate flexibility in dealing with certain contingencies.

Note 24
Risk Management Objectives and Policies

The Association is exposed to various risks in relation to financial instruments. The Association's principal financial instruments are its cash and cash equivalents (Note 4), receivables from agents and others (Note 5), investments in debt and equity securities (Note 7), trade and other payables (Note 9), insurance contract liabilities (Note 10), and retirement trust fund (Note 12). The main types of risks are insurance risk, credit and concentration risks, market risk and liquidity risk. The Association is not exposed to foreign currency risk since it has no foreign currency deposits. In 2022, the Association purchased financial instruments as part of its investment strategies. The Association is now exposed to investment risks beginning 2022.

The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Association's financial performance and financial position. The Association actively measures, monitors and manages its financial risk exposures by various functions pursuant to the segregation of duties principle.

Risk Management Structure

The Board of Trustees is mainly responsible for the overall risk management and for the approval of risk strategies and principles of the Association. The Board of Trustees also has the overall responsibility for the development of risk strategies, principles, frameworks, policies and limits. It establishes a forum of discussion of the Association's approach to risk issues in order to make relevant decisions.

Insurance Risk

The principal risk the Association faces under insurance contracts is the risk that the actual claims and benefit payments exceed the carrying amount of recognized insurance liabilities. This situation is influenced by the frequency of claims, severity of claims, actual benefits paid are greater than originally estimated and subsequent development of long-term claims. Therefore, the objective of the Association is to ensure that sufficient reserves are available to cover these liabilities. The amount of reserves set-up in the books is computed by the Actuarial Consultant and monitored on a regular basis.

Credit and Concentration Risks/Investment Risk

Credit risk refers to the risk that counterparty will default and/or not honor its financial or contractual obligations resulting in financial losses to the Association. The Association is exposed to credit risk from financial assets including its cash held in banks, receivables from agents and others and investments in financial instruments.

The credit risk in respect of cash balances held with banks and time deposits with banks are managed via diversification of bank deposits and are only with major reputable financial institutions and are regularly monitored. Trade receivables consist of premiums receivable from active members and from the unremitted premium collections by the agent-affiliate. The Association does not hold any security on the receivables from agents and others balance and the accounts are monitored on an ongoing basis with the result that the Association's exposure to impairment is not significant.

The investment risk related to investments in financial instruments represents the exposure to loss resulting from cash flows from invested assets being less than the cash flows required to meet the obligations of the expected policy and contract liabilities and the necessary return on investments. To maintain an adequate yield to match the interest necessary to support future policy liabilities, the Board of Trustees is investing only on Government financial instruments which are fairly safe investments.

The Association deals only with creditworthy counterparties duly approved by the Board of Trustees. Its maximum exposure to credit risk for the components of the statements of financial position is the carrying amounts as shown in the following table:

December 31, 2022	*Neither Past Due Nor Impaired*	*Past Due But Not Impaired*	*Total*
Cash and cash equivalents *(Note 4)*	₱8,634,854	₱–	**₱8,634,854**
Receivable from agents and others *(Note 5)*	484,452	–	**484,452**
Investments in debt and equity securities *(Note 7)*	108,210,949	–	**108,210,949**
	₱117,330,255	₱–	**₱117,330,255**
	100.00%	0.00%	**100.00%**

December 31, 2021	Neither Past Due Nor Impaired	Past Due But Not Impaired	Total
Cash and cash equivalents *(Note 4)*	₱9,342,403	₱–	**₱9,342,403**
Receivable from agents and others *(Note 5)*	615,950	–	**615,950**
Investments in debt and equity securities *(Note 7)*	103,866,983	–	**103,866,983**
	₱113,825,336	₱–	**₱113,825,336**
	100.00%	0.00%	**100.00%**

Credit Quality by Class of Financial Assets Based on the Association's Rating System

December 31, 2022	High Grade	Standard Grade	Impaired	Total
Cash and cash equivalents *(Note 4)*	₱8,634,854	₱–	₱–	**₱8,634,854**
Receivable from agents & others *(Note 5)*	484,452	–	–	**484,452**
Investments in securities *(Note 7)*	–	108,210,949	–	**108,210,949**
	₱9,119,306	₱108,210,949	₱–	**₱117,330,255**

December 31, 2021	High Grade	Standard Grade	Impaired	Total
Cash and cash equivalents *(Note 4)*	₱9,342,403	₱–	₱–	**₱9,342,403**
Receivable from agents & others *(Note 5)*	615,950	–	–	**615,950**
Investments in securities *(Note 7)*	–	103,866,983	–	**103,866,983**
	₱9,958,353	₱103,866,983	₱–	**₱113,825,336**

Financial instruments classified as "high grade" are those cash transacted with reputable local banks and receivables with no history of default on the agreed contract terms. Financial instruments classified as "standard grade" are those receivables from parties who need to be reminded of their duties. No financial assets were deemed by management as impaired.

Market Risks
Market risk is the possibility that changes in equity prices or interest rates will adversely affect the value of the Association's assets, liabilities or expected future cash flows. The Association has no exposure arising from complex investments since it is not engaging in high-risk investments, forward contracts, hedging, and the likes, whether local or foreign transactions. The Association has no exposure to price risks as its investments in quoted equity and debt securities are of fixed interest rates. The Association's interest rate risk arises from its time deposits with banks. The Association invested in fixed rate deposits to mitigate the risks. The Association is not exposed to foreign currency risks as it has no assets nor liabilities denominated in foreign currency.

Liquidity Risks
Liquidity risk is that the Association might be unable to meet its obligations. The Association's objectives to manage its liquidity profile are: (a) to ensure that adequate funding is available at all times; (b) to meet commitments as they arise without incurring unnecessary costs; and (c) to be able to access funding when needed at the least possible cost. The Association manages its liquidity by carefully monitoring its scheduled servicing payments for financial liabilities as well as its cash flows due on its day-to-day business. The data used for analyzing these cash flows is consistent with that used in the contractual maturity analysis in the following table. Net cash requirements are compared to available cash position in order to determine headroom or any shortfalls. This analysis shows that available cash position is expected to be sufficient over the lookout period.

The Association considers its expected cash flows from financial assets in assessing and managing liquidity risk, in particular its cash resources and trade receivables. The Association's existing cash resources and trade receivables significantly exceed the current cash outflow requirements. Cash flows from receivables from agents and others are all contractually due within six months.

Maturity Profile of the Association's Financial Liabilities

December 31, 2022	*Due in One Year*	*Due Over One Year*	***Total***
Lease liability *(Note 8)*	₱111,893	₱577,471	**₱689,364**
Trade and other payables *(Note 9)*	2,108,059	–	**2,108,059**
Insurance contract liabilities *(Note 10)*	515,429	–	**515,429**
Retirement trust fund *(Note 12)*	–	37,932,403	**37,932,403**
	₱2,735,381	₱38,509,874	**₱41,245,255**
	6.63%	93.37%	**100.00%**

Note 25
Commitments and Contingencies

There are recognized provisions in the statements of financial position that arise in the normal course of business operations. There may also have been commitments and contingencies that arose in the normal course of business that were not reflected in the Association's financial statements. Management anticipates no material losses, if any, that may arise from these commitments and contingencies, and these losses, if any, will not materially affect its financial statements.

Note 26
COVID-19 Pandemic Situational Report, January 2023

The World Health Organization (WHO) said that COVID-19 remains a global emergency but the pandemic could near its end in 2023. WHO chief Tedros Adhanom Ghebreyesus said COVID remains a global health emergency, though the world is in a much better place than it was a year ago. The WHO has estimated that at least 90% of the world's population has some level of immunity to COVID due to vaccination or infection. The WHO chief has previously said the end of the pandemic is in sight.

'The trend of reported COVID-19 cases in the Philippines is decreasing. On 9–15 January 2023, 2,934 2.6 cases per 100,000 population were reported and this is 6.0% lower than cases reported on 2–8 January [3,125 cases (2.8 cases per 100,000 population)]. On 26 December 2022 - 1 January 2023, there were 3,458 cases; and on 19–25 December, there were 5,690 cases. Among the 17 regions, National Capital Region (947 cases), Region IV-A: CALABARZON (467 cases), and Region II: Cagayan Valley (240 cases) recorded the highest case counts on 9–15 January 2023.' Philippines Coronavirus Disease 2019 (COVID-19) Situation Report #119, 16 Jan 2023, Department of Health on 15 January 2023.

At the time of the release of this report, the COVID-19 Pandemic has begun to wane in the Philippines. The Philippine authorities projected, in December 2022, that the economy will surge to a 7.2% growth in 2022 before tapering off to an average of 5.7% percent growth in 2023 [Philippines Economic Update (PEU) by World Bank].

The Association has determined that the threat of resurgence of the COVID-19 Pandemic becomes manageable from the lessons learned during the last three years.

Note 27
Authorization of Financial Statements

The Association's financial statements as of December 31, 2022, and for the year then ended, were authorized for issue by its Executive Committee on April 26, 2023.

Note 28
Details of Taxes, Licenses and Fees

In accordance with the supplementary information required under Revenue Regulations No. 15-2010, the Association discloses the following:

Years Ended December 31,	**2022**	2021
Insurance annual filing fee and renewal of license	**₱146,450**	₱118,675
Business permits	**7,322**	6,957
Motor vehicle renewal	**2,662**	4,956
AS wrong data entry penalty	**1,525**	1,000
Documentary stamp	**60**	180
Chattel mortgage cancellation fee	**-**	2,047
	₱158,019	₱133,815

There are no pending assessments related to tax deficiencies at the end of the year.

Letter of Recommendations to

KCCDFI Mutual Benefit Association, Inc.

Audit Year December 31, 2022

Recommended by:

QUILAB & GARSUTA
CERTIFIED PUBLIC ACCOUNTANTS

quilabgarsuta.com

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CERTIFIED PUBLIC ACCOUNTANTS

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April 26, 2023

The Board of Trustees
KCCDFI Mutual Benefit Association, Inc.
2nd Floor, KCCDFI Building, MCLL Highway
Guiwan, Zamboanga City

Attention: **Ms. Mary Ann R. Candoy**, President,
Ms. Jessica A. Araneta, Treasurer and
Ms. Maria Teresa C. Gonzales, General Manager

Gentlemen:

We have audited the financial statements of **KCCDFI Mutual Benefit Association, Inc.** as of and for the year ended December 31, 2022, and have issued our report dated April 26, 2023. As part of our engagement, we made a study and evaluation of the Association's system of internal accounting control to the extent we considered necessary to obtain understanding of internal control over financial reporting, to assess the risk that a material weakness exists, and to test and evaluate the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances.

<u>Management's Responsibility Over Internal Control</u>
The management of the Association is responsible for establishing and maintaining the internal control structures of the Association. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related cost of control procedures. An internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Philippine Financial Reporting Standards (PFRSs). An internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Association; (2) provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in accordance with PFRSs, and that receipts and disbursements are being made only in accordance with budgets and authorizations of management; and (3) provide reasonable assurance regarding the prevention or timely detection of unauthorized acquisition, use, or disposition of the Association's assets that could have a material effect on the financial statements in general.

Because of inherent limitations in any internal control structure, errors or irregularities may occur and not be detected. Also, projection of any evaluation of the internal control structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Our objective is to use our knowledge of the Association gained during our routine audit work to make useful comments and suggestions for you to consider. However, you will appreciate that our routine audit work is designed to enable us to form an opinion on the financial statements of the Association and it should not be relied upon to disclose all irregularities that may exist or to disclose errors that are not material in relation to the financial statements. Accordingly, we do not express an opinion on the system of internal accounting control of **KCCDFI Mutual Benefit Association, Inc.**, taken as a whole.

The purpose of this letter is to set out certain matters that came to our attention during the course of our audit of the financial statements of the Association for the year ended December 31, 2022. Our report is designed to include useful recommendations that may help improve performance and avoid weaknesses that could lead to material loss or misstatement. It is your obligation to take the actions needed to remedy those weaknesses and should you fail to do so we shall not be held responsible if loss or misstatement occurs as a result.

FINDINGS, COMMENTS AND RECOMMENDATIONS

General Findings

Generally, the internal controls tested were found to be working. We did not identify any reportable conditions or material weakness in internal control. In accordance with Philippine Standards on Auditing (PSAs), reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Association's ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements, in amounts that would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We reiterate that we did not identify any of these conditions in internal control.

Suggestions to Improve Internal Controls

During our audit, we noted the following matters where management may have to give attention to improve internal control:

Item 1

Obtain an Actuarial Valuation Report for the Association's Retirement Benefit Payable

The Association's retirement benefit payable is currently not being computed based on actuarial assumptions.

We recommend that management secure an actuarial valuation report for the 2023 retirement benefit payable.

* * *

This report is submitted solely for the information of the Board of Directors and management and should not be quoted or shown to other parties outside of the Association because of the possibility of misunderstanding by persons who may not be aware of the objectives and limitations, as well as the special circumstances surrounding our examination of the Association's financial statements. We will accept no responsibility to any third party in relation to it.

Please let us know should you have queries on the foregoing matters.

Very truly yours,

Quilab & Garsuta, CPAs

PTR No. 5474075 A

January 3, 2023

Cagayan de Oro City

"EMBRACE THE
NEW NORMAL,
FOR CHANGE IS THE
ONLY CONSTANT IN
LIFE."

KCCDFI
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KCCDFI MUTUAL BENEFIT ASSOCIATION, INC.

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