COVERS SHEET
for
AUDITED FINANCIAL STATEMENTS

0 2 1 4 1
SEC Registration Number

0 0 7 - 2 4 5 - 5 3 7
Tax Identification Number

Company Name

SIMBAG SA EMERHENSYA ASIN DAGDAG PASEGURO MUTUAL BENEFIT ASSOCIATION (SEDP MBA), INC.

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

3RD FLOOR THE CHANCERY BUILDING, CATHEDRAL COMPOUND, ALBAY DISTRICT, LEGASPI CITY, PHILIPPINES

(Form Type)	(Department Requiring the Report)	(Secondary License Type, if Applicable)
AAFS		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
sedp_mba@yahoo.com.ph	052-481-4449	
No. of Stockholder	**Annual Meeting (Month/Day)**	**Fiscal Year (Month/Day)**
	May 25	12/31/2019

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number/s
Fr. Rex Paul B. Arjona	rparjona@yahoo.com	052-481-4449	0917-558-1719

Contact Person's Address

San Ramon Nonato Church, Tagas, Daraga,Albay

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

30 JUN 2020

QUILAB & GARSUTA
Certified Public Accountants

quilabgarsuta.com

Accreditations
PRC/BOA 7787 07.05.20
SEC Group C 0358-F 07.15.21
BIR 16-007506-000-2019 2.15.22
NEA 2017-10-0043 10.09.20
IC 2017-004-O 12.07.20
BSP Group B 07.31.20
CDA 119-AF 10.17.20
MISEREOR

CERTIFICATION

INSURANCE COMMISSION
1071 United Nations Avenue
Manila

Gentlemen:

In connection with our engagement in the audit of the financial statements of Simbag sa Emerhensya Asin Dagdag Paseguro Mutual Benefit Association (SEDP MBA), Inc. for the year ended December 31, 2019, we hereby certify:

1. That there were no weakness 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 30th day of June 2020 at Cagayan de Oro City, Philippines.

RICO P. QUILAB
Engagement Partner

SUBSCRIBED AND SWORN to before me this 30th day of June 2020 affiant exhibited to me his PRC Identification Number 0046034 valid until December 29, 2020.

NOTARY PUBLIC
Doc. No. 410;
Page No. 84;
Book No. 209;
Series of 2020.

ATTY. MARILEN LEZADA-ROSABAL
Notary Public until December 31, 2020
Notarial Commission No. 2019-52
IBP Receipt No. 106510 / Jan. 4, 2020
PTR Receipt No. 4550188 / Jan. 3, 2020
MCLE NO. VI-0003973 / Roll No. 53682
TIN No. 947-407-463

SEDP MBA
MICRO INSURANCE
Simbag sa Emerhensya asin Dagdag Paseguro
Mutual Benefit Association Inc. (SEDP MBA)
3/F The Chancery, Cathedral Compound
Old Albay District, Legazpi City, Philippines
Telefax: (052) 481-4449
Email: sedp_mba@yahoo.com.ph

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Simbag sa Emerhensya Asin Dagdag Paseguro Mutual Benefit Association (SEDP MBA), Inc. is responsible for the preparation and fair presentation of its financial statements for the years ended December 31, 2019 and 2018, 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 not 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, 2019 and 2018, 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 their opinion on the fairness of presentation upon completion of such audits.

June 14, 2020, Legazpi City, Albay, Philippines.

FR. REX PAUL B. ARJONA
President

ROBERTO A. DALIT
MBA Manager

AMY B. BOMBUHAY
Treasurer

30 JUN 2020
RECEIVED

Simbag sa Emerhensya asin Dagdag Paseguro
Mutual Benefit Association Inc. (SEDP MBA)
3/F The Chancery, Cathedral Compound
Old Albay District, Legazpi City, Philippines
Telefax: (052) 481-4449
Email: sedp_mba@yahoo.com.ph

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURNS

The management of Simbag sa Emerhensya Asin Dagdag Paseguro Mutual Benefit Association (SEDP MBA), Inc. is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2019. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the valued added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, management affirms that the attached audited financial statements for the year ended December 31, 2019, and the accompanying Annual Income Tax Return are in accordance with the books and records of Simbag sa Emerhensya Asin Dagdag Paseguro Mutual Benefit Association (SEDP MBA), Inc., complete and correct in all material respects.

Management likewise affirms that:

a) The Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
b) Any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules have been reported as reconciling items and maintained in the Association's books and records in accordance with the requirements of Revenue Regulation No. 8-2007 and other relevant issuances; and
c) Simbag sa Emerhensya Asin Dagdag Paseguro Mutual Benefit Association (SEDP MBA), Inc. has filed all applicable returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

June 14, 2020, Legazpi City, Albay, Philippines.

FR. REX PAUL B. ARJONA
President

ROBERTO A. DALIT
MBA Manager

AMY B. BOMBUHAY
Treasurer

30 JUN

QUILAB & GARSUTA
Certified Public Accountants

quilabgarsuta.com

Accreditations
PRC/BOA 7787 07.05.20
SEC Group C 0358-F 07.15.21
BIR 16-007506-000-2019 2.15.22
NEA 2017-10-0043 10.09.20
IC 2017-004-O 12.07.20
BSP Group B 07.31.20
CDA 119-AF 10.17.20
MISEREOR

REPORT OF INDEPENDENT AUDITORS TO ACCOMPANY INCOME TAX RETURNS

The Board of Trustees and Members of
Simbag sa Emerhensya Asin Dagdag Paseguro Mutual Benefit Association (SEDP MBA), Inc.
3/F The Chancery, Cathedral Compound
Old Albay District, Legazpi City

We have audited the accompanying financial statements of Simbag sa Emerhensya Asin Dagdag Paseguro Mutual Benefit Association (SEDP MBA), Inc., for the year ended December 31, 2019, on which we have rendered the attached report dated June 14, 2020.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the President, General Manager, or other members of the Board of Trustees of the Association.

QUILAB & GARSUTA, CPAs
By:

RICO P. QUILAB
Partner
CPA Cert. No. 46034
TIN No. 129-040-841
PRC/BOA Cert. No. 7787 (7.05.2020)
BIR No. 16-007506-001-2019 (2.15.2022)
IC No. SP-2017/025-R (12.07.2020)
SEC No. 0906-AR-3 (7.15.2021)
PTR No. 4556063 A
January 2, 2020
Cagayan de Oro City

June 14, 2020
Cagayan de Oro City, Philippines

QUILAB & GARSUTA
Certified Public Accountants

quilabgarsuta.com

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PRC/BOA 7787 07.05.20
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NEA 2017-10-0043 10.09.20
IC 2017-004-O 12.07.20
BSP Group B 07.31.20
CDA 119-AF 10.17.20
MISEREOR

REPORT OF INDEPENDENT AUDITORS

The Board of Trustees and Members of
Simbag sa Emerhensya Asin Dagdag Paseguro Mutual Benefit Association (SEDP MBA), Inc.
3/F The Chancery, Cathedral Compound
Old Albay District, Legazpi City

30 JUN 2020

Report on the Financial Statements

Opinion
We have audited the financial statements of Simbag sa Emerhensya Asin Dagdag Paseguro Mutual Benefit Association (SEDP MBA), Inc., which comprise the statements of financial position as at December 31, 2019 and 2018, and 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.

In our opinion, the accompanying financial statements present fairly, in all materials respects, the financial position of Simbag sa Emerhensya Asin Dagdag Paseguro Mutual Benefit Association (SEDP MBA), Inc. as of December 31, 2019 and 2018, 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Association in accordance with the *Code of Ethics for Professional Accountants in the Philippines* (Code of Ethics), together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Association to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

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 25 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 a whole.

Report on the Supplementary Information Required by Revised SRC Code Rule 68, (2019 Version)

Our audits were conducted for the purpose of forming opinions on the basic financial statements taken as a whole. The supplementary schedule in Annex 1: Effective Standards and Interpretations Under PFRS as of December 31, 2019, Adopted Beginning January 1, 2019, is presented for the purpose of complying with the requirements of Part 1, Section 5 of the Revised Securities Regulation Code Rule 68, (2019 Version), and are not required parts of the basic financial statements. Such information is the responsibility of the Association's management. The information in such supplementary schedules has been subjected to the auditing procedures applied in the audits of the basic financial statements. In our opinion, the information is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole and has been prepared in accordance with Revised SRC Rule 68.

QUILAB & GARSUTA, CPAs
By:

RICO P. QUILAB
Partner
CPA Cert. No. 46034
TIN No. 129-040-841
PRC/BOA Cert. No. 7787 (7.05.2020)
BIR No. 16-007506-001-2019 (2.15.2022)
IC No. SP-2017/025-R (12.07.2020)
SEC No. 0906-AR-3 (7.15.2021)
PTR No. 4556063 A
January 2, 2020
Cagayan de Oro City

June 14, 2020
Cagayan de Oro City, Philippines

SEC LEGASPI EXTENSION OFFICE
JUN 30 2020

STATEMENTS OF FINANCIAL POSITION

Simbag sa Emerhensya Asin Dagdag Paseguro Mutual Benefit Association (SEDP MBA), Inc.

December 31,	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents *(Note 4)*	₱49,100,301	₱40,001,225
Trade and other receivables *(Note 5)*	553,464	595,285
Other assets *(Note 6)*	74,987	56,279
Total Current Assets	49,728,752	40,652,789
Non-Current Assets		
Trade and other receivables *(Note 5)*	20,000,000	20,000,000
Furniture, fixtures and office equipment – net *(Note 7)*	26,214	78,301
Investments in debt and equity securities *(Note 8)*	201,619,453	178,579,465
Total Non-Current Assets	221,645,667	198,657,766
	₱271,374,419	₱239,310,555
LIABILITIES AND FUND BALANCES		
Current Liabilities		
Trade and other payables *(Note 9)*	₱7,873,069	₱6,687,808
Insurance contract liabilities *(Note 10)*	785,189	1,774,594
Total Current Liabilities	8,658,258	8,462,402
Non-Current Liabilities		
Aggregate reserves for unexpired risks *(Note 11)*	154,117,880	130,468,832
Total Liabilities	162,776,138	138,931,234
Fund Balances		
Guaranty Fund *(Note 12)*	28,216,049	24,319,679
Special Funds *(Note 13)*	46,519,319	48,273,395
General Fund *(Note 14)*	32,555,228	27,786,247
Revaluation reserve on investments at FVTOCI *(Note 8)*	1,307,685	–
Total Fund Balances	108,598,281	100,379,321
	₱271,374,419	₱239,310,555

See Note to Financial Statements

BUREAU OF INTERNAL REVENUE
30 JUN 2020

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Simbag sa Emerhensya Asin Dagdag Paseguro Mutual Benefit Association (SEDP MBA), Inc.

Years Ended December 31	2019	2018
REVENUE		
Gross members' premium contributions *(Note 15)*	₱77,927,394	₱66,747,177
Less contributions to Guaranty Fund *(Note 12)*	3,896,370	3,337,359
Net members' premium contributions	74,031,024	63,409,818
Interest and investment income *(Notes 4 and 8)*	8,009,177	5,461,114
Membership fees *(Note 15)*	2,518,223	2,392,228
Other income	5,699	5,553
Total Revenue	84,564,123	71,268,713
BENEFITS AND OPERATING EXPENSES		
Benefits and claims paid to members *(Notes 10 and 15)*	27,694,781	25,452,905
Increase in aggregate reserves for unexpired risks *(Note 11)*	23,649,048	19,574,792
Collection costs *(Note 9 and 18)*	5,490,951	4,919,345
Membership enrollment and marketing expenses	2,411,058	954,736
Total Members' Benefits and Expenses	59,245,838	50,901,778
Compensation and employees' benefits *(Note 16)*	2,170,378	1,983,254
General and administrative expenses *(Note 17)*	2,552,115	2,256,081
Depreciation *(Note 7)*	52,087	55,998
Total Benefits and Operating Expenses	64,020,418	55,197,111
NET SUPLUS FOR THE YEAR	20,543,705	16,071,602
OTHER COMPREHENSIVE INCOME		
Item that may not be subsequently reclassified to profit or loss:		
Changes in value of investments at FVTOCI *(Note 8)*	1,307,685	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	₱21,851,390	₱16,071,602

See Notes to Financial Statements.

30 JUN 2020

STATEMENTS OF CHANGES IN FUND BALANCES

Simbag sa Emerhensya Asin Dagdag Paseguro Mutual Benefit Association (SEDP MBA), Inc.

December 31,	2019	2018
GUARANTY FUND *(Note 12)*		
Opening balances	₱24,319,679	₱20,982,320
Contributions from members during the year	3,896,370	3,337,359
Closing balances	28,216,049	24,319,679
APPROPRIATED SPECIAL FUNDS *(Note 13)*		
Members' Benefits Fund	20,551,751	26,488,244
Capacity Building Fund	8,515,803	6,938,331
Members' Education Fund	8,284,889	6,468,681
Research and Development Fund	5,368,393	4,895,151
Acquisition of Systems and Equipment Fund	3,798,483	3,482,988
	46,519,319	48,273,395
GENERAL FUND		
Opening balances	27,786,247	23,620,970
Appropriations to Special Funds for 2018 *(Note 14)*	–	(11,906,325)
Appropriations to Special Funds for 2019 *(Note 14)*	(15,774,724)	–
Net surplus for the year	20,543,705	16,071,602
Closing balances	32,555,228	27,786,247
REVALUATION RESERVE ON INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVTOCI)		
Opening balances	–	–
Changes in value of investments in equity securities at FVTOCI *(Note 8)*	1,307,685	–
Closing balances	1,307,685	–
	₱108,598,281	₱100,379,321

See Notes to Financial Statements

STATEMENTS OF CASH FLOWS

Simbag sa Emerhensya Asin Dagdag Paseguro Mutual Benefit Association (SEDP MBA), Inc.

Years Ended December 31,	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net surplus for the year	₱20,543,705	₱16,071,602
Add (deduct) back adjustments for:		
Increase in aggregate reserves for unexpired risks *(Note 11)*	23,649,048	19,574,792
Provision for expected credit losses (ECL) *(Note 5)*	103,494	103,494
Provision for retirement benefits *(Note 9)*	304,356	472,521
Depreciation *(Note 7)*	52,087	55,998
Interest and investments income *(Notes 4 and 8)*	(8,009,177)	(5,461,114)
Operating surplus before changes in working capital	36,643,513	30,817,293
Add (deduct) changes in working capital, excluding cash:		
Increase in trade and other receivables *(Note 5)*	(61,673)	(20,031,224)
Decrease (increase) in other assets *(Note 6)*	(18,708)	83,714
Increase (decrease) in trade and other payables *(Note 9)*	880,905	(327,905)
Increase (decrease) in insurance contract liabilities *(Note 10)*	(989,405)	1,106,973
Net Cash Provided from Operating Activities	36,454,632	11,648,851
CASH FLOWS FOR INVESTING ACTIVITIES		
Interest and investment income *(Notes 4 and 8)*	8,009,177	5,461,114
Increase in investments in debt and equity securities *(Note 8)*	(21,732,303)	(29,316,724)
Additions to furniture, fixtures and office equipment *(Note 7)*	-	(11,700)
Net Cash Used for Investing Activities	(13,723,126)	(23,867,310)
CASH FLOWS FOR FINANCING ACTIVITIES		
Increase in Guaranty Fund *(Note 12)*	3,896,370	3,337,359
Decrease in Special Funds *(Note 13)*	(17,528,800)	(5,105,195)
Net Cash Used for Financing Activities	(13,632,430)	(1,767,836)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	9,099,076	(13,986,295)
OPENING CASH AND CASH EQUIVALENTS	40,001,225	53,987,520
CLOSING CASH AND CASH EQUIVALENTS *(Note 4)*	₱49,100,301	₱40,001,225

See Notes to Financial Statements.

30 JUN 2020

NOTES TO FINANCIAL STATEMENTS

Simbag sa Emerhensya Asin Dagdag Paseguro Mutual Benefit Association (SEDP MBA), Inc.
As of and the Years Ended December 31, 2019 and 2018

Note 1
Organization and Tax Exemption

The Simbag sa Emerhensya Asin Dagdag Paseguro Mutual Benefit Association (SEDP MBA), Inc. (referred to in the following sections as 'Association') was organized by the members of Simbag sa Emerhensya Asin Dagdag Paseguro, Inc., 'to extend financial assistance to its members, spouse, siblings, 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 management of the Association that will include the implementation of policies and procedures geared towards sustainability and improved services.' It was registered with the Securities and Exchange Commission (SEC) on February 17, 2009 and obtained its secondary license from the Insurance Commission (IC) on August 27, 2009. It is governed by a Board of Trustees which receives no compensation. It devotes all its income for the purposes enumerated in its Articles of Incorporation.

The Association is holding office at the 3rd Floor of The Chancery Building, Cathedral Compound, Albay District, Legazpi City, Albay, free of charge, but it shares on the costs of monthly utilities of the building. As at December 31, 2019, the Association has a total membership of 72,253.

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.

Statement of Compliance
The accompanying financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs) and Philippine Interpretations-IFRIC. PFRSs include statements named PFRSs and Philippine Accounting Standards (PAS), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the Securities and Exchange Commission (SEC).

Because the Association is a supervised entity by the Insurance Commission (IC), it also abides by the regulations of the Commission particularly those that are set forth under Section 189 of The Amended Insurance Code and with IC Circular Letter No. 2014-41 *Standard Chart of Accounts (SCA) for MBAs,* and all applicable IC Circular Letters and accounting requirements. These regulations and requirements are substantially compliant with PFRSs and the Revised SRC Rule 68 (2019).

The financial statements have been prepared under the assumptions that the Association operates on a going concern basis.

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 a 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.

Adoption of New and Amended PFRS Standards that are Effective for the Current Year

Impact of Initial Application of PFRS 16 Leases
In the current year, the Association has applied PFRS 16 that is effective for annual periods that begin on or after January 1, 2019. The date of initial application of PFRS 16 for the Association is January 1, 2019.

PFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

The impact of the adoption of PFRS 16 on the Association's financial statements is described below.

Impact of PFRS 16 Leases on the Association as a Lessee
PFRS 16 changes how the Association accounts for leases previously classified as operating leases under PAS/IAS 17, which were off-balance sheet items. Applying PFRS 16, for all leases (except as noted below), the Association: (a) recognizes right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments; (b) recognizes depreciation of right-of-use assets and interest on lease liabilities in profit or loss; and (c) separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the statement of cash flows.

Lease incentives (e.g. rent-free period) are recognized as part of the measurement of the right-of-use assets and lease liabilities whereas under PAS/IAS 17 they resulted in the recognition of a lease incentive, amortized as a reduction of rental expenses generally on a straight-line basis. Under PFRS 16, right-of-use assets are tested for impairment in accordance with PAS/IAS 36.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Association has opted to recognize a lease expense on a straight-line basis as permitted by PFRS 16. This expense (if incurred) is presented within 'general and administrative expenses' (See Note 17.) in the statement of profit or loss.

Financial Impact in 2019 of the Initial Application of PFRS 16
The Association has determined initially that all of its leases as a lessee indicated that the existing contracts, if there are any, are short-term leases and are leases of low-value assets. The Association generally recognizes lease expense on short-term and low-value leases on a straight-line basis and presented as 'rent' in the statement of profit or loss. PFRS 16 has been determined to be generally not applicable to the Association as it has no significant leases that would fall under the provisions of PFRS 16. For instance, the Association enjoys free use of the building facilities of the Roman Catholic Bishop of Legaspi, Inc. It shares on the costs of monthly utilities of the building.

The adoption of PFRS 16 therefore has had no material impact in the financial statements of the Association.

Impact of PFRS 16 Leases on the Association as a Lessor
PFRS 16 does not change substantially how the Association accounts for leases as a lessor. Under PFRS 16, the Association continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. PFRS 16, however, has changed and expanded the disclosures required, in particular with regard to how the Association manages the risks arising from its residual interest in leased assets. The Association is not a lessor of properties.

Applying Amendments to PFRS Standards and Interpretations Effective January 1, 2019
In the current year, the Association has applied a number of amendments to PFRS Standards and Interpretations issued by the IASB and concurred by the Philippine Financial Reporting Standards Council (FRSC) that are effective for an annual period that begins on or after January 1, 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to PFRS 9 Prepayment Features with Negative Compensation
The Association has adopted the amendments to PFRS 9 for the first time in the current year. The amendments to PFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the 'solely payments of principal and interest' (SPPI) condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, financial assets with prepayment features with negative compensation do not automatically fail SPPI.

The adoption of the amendment did not have an impact on the current year's financial statements as the Association does not have prepayment features with negative compensation.

Amendments to PAS/IAS 28 Long-term Interests in Associates and Joint Ventures
The amendment clarifies that PFRS 9, including its impairment requirements, applies to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. The entity applies PFRS 9 to such long-term interests before it applies PAS/IAS 28. In applying PFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests required by PAS/IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with PAS/IAS 28).

The amendments to PAS/IAS 28 have had no impact on the Association as it has no associates and joint ventures.

Annual Improvements to IFRS Standards 2015–2017 Cycle Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs
The Association has adopted the amendments included in the *Annual Improvements to IFRS Standards 2015–2017 Cycle* for the first time in 2019, which adoption have had no impact on the Association in 2019.

- IAS 12 *Income Taxes* – The amendments clarify that the Association should recognize the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the Association originally recognized the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits. These amendments however are not applicable to the Association which is a nonprofit entity.

- IAS 23 *Borrowing Costs* – The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings. The amendments do not affect the Association as it has no borrowings.

- IFRS 3 *Business Combinations* – The amendments clarify that when the Association obtains control of a business that is a joint operation, the Association applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be remeasured includes any unrecognized assets, liabilities and goodwill relating to the joint operation. The amendments have not affected the Association as it has no transactions related to business combinations.

- IFRS 11 *Joint Arrangements* – The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the Association does not remeasure its PHI in the joint operation. The amendments have not affected the Association as it has no transactions related to join arrangements.

Amendments to PAS/IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement
The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). PAS/IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognized in the normal manner in other comprehensive income.

The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability (asset) have also been amended. The Association will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability (asset) as remeasured under PAS/IAS 19:99 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability (asset).

The Association has not adopted the amendments of PAS/IAS 19 in the current year as it is not yet complying with the requirements of PAS/IAS 19 in measuring its retirement benefit obligations which it considers immaterial at the moment.

IFRIC 23 Uncertainty over Income Tax Treatments
IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Association to: (a) determine whether uncertain tax positions are assessed separately or as a group; and (b) assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings. If yes, the Association should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings. If no, the Association should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

The Association is a non-profit entity and the IFRIC 23 amendment has had no impact on the Association.

New and Revised PFRS 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 PFRS Standards that have been issued but are not yet effective [and, in some cases] had not yet been adopted by the Philippine FRSC:

- IFRS 17 *Insurance Contracts*
- IFRS 10 and IAS 28 (amendments) *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Amendments to IFRS 3 *Definition of a business*
- Amendments to IAS 1 and IAS 8 *Definition of material*
- Conceptual Framework *Amendments to References to the* Conceptual Framework *in IFRS Standards*

The management and the Board of Trustees do 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, except as noted below:

PFRS 17 Insurance Contracts

PFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes PFRS 4 *Insurance Contracts*. PFRS 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.

The Standard is effective for annual reporting periods beginning on or after January 1, 2021, with early application permitted. It is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. An exposure draft *Amendments to IFRS 17* addresses concerns and implementation challenges that were identified after IFRS 17 was published. One of the main changes proposed is the deferral of the date of initial application of IFRS 17 by one year to annual periods beginning on or after 1 January 2021. The Philippine Insurance Commission (IC) however has approved to defer the implementation of IFRS 17 (it will become PFRS 17) to January 1, 2023, per IC Circular Letter No. 218-69, dated December 28, 2018.

For the purpose of the transition requirements, the date of initial application is the start if 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.

IFRS 10 and IAS 28 (amendments) 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 management and the Board of Trustees of the Association do not anticipate that the application of these amendments may have an impact on the Association's financial statements in future periods should such transactions arise.

Amendments to IFRS 3 Definition of a 'Business'
The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Additional guidance is provided that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

Amendments to IAS 1 and IAS 8 Definition of 'Material'
The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the *Conceptual Framework* that contain a definition of material or refer to the term 'material' to ensure consistency.

The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted.

Amendments to References to the Conceptual Framework in IFRS Standards
Together with the revised *Conceptual Framework*, which became effective upon publication on 29 March 2018, the IASB has also issued *Amendments to References to the* Conceptual Framework in *IFRS Standards*. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised *Conceptual Framework*. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC *Framework* adopted by the IASB in 2001, the IASB *Framework* of 2010, or the new revised *Framework* of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised *Conceptual Framework*.

The amendments, where they actually are updates, are effective for annual periods beginning on or after 1 January 2020, with early application permitted.

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.

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 in 90 days to 365 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.

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. 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. 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.

(ii) *Debt Instruments Classified as at FVTOCI*

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 revaluation reserve on investments. 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.

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).

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 revaluation reserve on investments. 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.

(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 'investment income' line item. Fair value is determined in the manner described 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 revaluation reserve on investments 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 revaluation reserve on investments 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 'general and administrative expenses' line item (Note 17) 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 guarantee 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.

Furniture, Fixtures and Office Equipment
Furniture, fixtures and office equipment are stated at cost less accumulated depreciation. Such 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. Interests incurred on borrowed funds used to finance the construction of properties during the construction period are capitalized. Other borrowing costs are expensed.

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 profit or loss in the year the asset is derecognized.

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

(1) IT equipment, 5 years; and
(2) Furniture, fixtures and office equipment, 5 years.

The carrying values of Association's 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 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.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is credited or charged to income. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits arising from the renovations will flow to the organization.

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 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 revenues. Management has determined that the revenue from premium contributions of members are within the scope of PFRS 4 while the income from investments in financial instruments are within the scope of PFRS 9. Income from other sources are within the scope of PFRS 15.

The Association recognizes revenue as follows:

(1) *Premium Contributions*

Revenue from insurance products is recognized under PFRS 4 Insurance Contracts, which 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)

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 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 upon payment of the first contribution to the Association, representing 50% of the total membership dues collected;
- 35% goes to cover basic benefits of members;
- 5% goes to Guarantee Fund, and the remaining
- 10% goes to general operations, to cover administrative costs.

The Association collects its premiums/contributions of members through SEDP-Simbag sa Pag-Asenso, Inc, an affiliate, with a certain commission (collection cost).

(2) *Investment Income*
Income from investments are accounted for under PFRS 9 *Financial Instruments.* Income from investments in debt 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 expense during the period.
- 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 and Donations*
Grants and donations 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 employments 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 amount 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 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 an 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 has less than ten (10) regular employees and opted to accrue its retirement benefit obligation using the provisions of the R. A. 7641, *An Act Amending Article 287 of Presidential Decree No. 442, as Amended, Otherwise Known as the Labor Code of the Philippines, by Providing for Retirement Pay to Qualified Private Sector Employees in the Absence of any Retirement Plan in the*

Establishment. Accrual approach is applied by calculating the expected liability as at reporting date using the employees' current compensation and number of years in service. Under this simplified method, the Corporation ignores estimated future salary increases, future service of current employees and possible in-service mortality of current employees between reporting date and date the employees are expected to retire. The Association considers its retirement benefit obligations at this time as immaterial when considered to its overall liabilities.

- *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 has applied PFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under PAS/IAS 17 and IFRIC 4.

Policy Applicable from January 1, 2019
At inception of a contract, the Association assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Association uses the definition of a lease in PFRS 16. This policy is applied to contracts entered into, on or after 1 January 2019.

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.

The Association's leases substantially involve low-value assets and are generally having terms of one year or less.

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.

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
- Payments 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 are presented as a separate line 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 account 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. 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.

Policy Applicable Before January 1, 2019
For contracts entered into before 1 January 2019, the Association determined whether an arrangement is, or contains a lease based on the substance of the arrangements. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys the right to use the asset. The Association is a lessee of an office space it uses as its Head Office. The Association accounts for this lease as follows:

- Leases which transfer to the Association substantially all risks and benefits incidental to ownership of the leased item are classified as finance leases and are recognized as assets and liabilities in the statements of financial position at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, at the present value of minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the leased liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are directly charged against income. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

- Leases which do not transfer to the Association substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the statement of profit or loss on a straight-line basis over the lease term. The existing leases of all branch offices are treated as operating leases.

Provisions and Contingent Liabilities
Provisions, if any, are recognized when the Association has legal or constructive obligations as a result of a past event: it is probable that an outflow of resources will be required to settle the obligation and estimate can be made of the amount obligation. Provisions are recognized when present obligation will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the statement of financial condition date, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognized, if virtually certain as a separate asset, not exceeding the amount of related provision. Provisions are reviewed at each statement of financial condition date and adjusted to reflect the current best estimate. In those cases where the possible outflow of the economic resources as a result of present obligation is considered improbable or remote, or the amount to be provided for cannot be measured

reliably, no liability is recognized in the consolidated financial statements. Probable inflows of economic benefits that do not yet meet the recognition criteria of the asset are considered contingent assets, hence, are not recognized in the financial statements. No contingent liabilities have been incurred during the year.

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 Critical Accounting Judgment and Key Sources of Estimation Uncertainty

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.

Fair Value Measurements
Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. 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 Furniture, Fixtures and Office Equipment
The Association reviews annually the estimated useful lives of its furniture, fixtures and office 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
The Association assesses the impairment of its non-financial assets whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and the value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

For impairment loss on specific asset, the recoverable amount represents the net selling price. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Association is required to make estimates and assumptions that can materially affect the Association's financial statements.

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 is composed of the following:

December 31,	**2019**	2018
Cash in banks	**₱33,005,584**	₱11,872,841
Cash equivalents - unrestricted	**16,064,717**	2,098,384
Revolving fund	**30,000**	30,000
Cash equivalents - restricted	**–**	26,000,000
	₱49,100,301	₱40,001,225

Cash in banks and cash equivalents earn interest at the prevailing market rates. The effective interest rate on cash in banks and cash equivalents ranges from 0.10% to 6%, maturing in 90 days to 365 days. Total interest income earned from cash in banks and cash equivalents amounted ₱225,457 in 2019 and ₱65,658 in 2018.

The cash equivalents – restricted reported in 2018 is in compliance to the Guaranty Fund requirement by the Insurance Commission to be maintained by the Association (See Note 12). This account consists of long-term time deposits with terms ranging from 3 to 5 years and was reclassified accordingly in 2019 to investments in debt securities (See Note 8).

Note 5
Trade and Other Receivables

This account consists of the following:

December 31,	2019	2018
Accounts receivable from SEDP-Simbag sa Pag-asenso, Inc.	**₱20,000,000**	₱20,000,000
Accrued interest income	**563,703**	663,925
Advances to officers and employees	**8,130**	3,854
Other receivables	**85,125**	31,000
Total	**20,656,958**	20,698,779
Less allowance for expected credit losses (ECL)	**103,494**	103,494
Net	**20,553,464**	20,595,285
Less presented under current portion	**553,464**	595,285
Presented under non-current portion	**₱20,000,000**	₱20,000,000

The accounts receivable from SEDP-Simbag sa Pag-asenso, Inc. represents the funds borrowed by the Microfinance NGO on December 17, 2018 and is collectible over a period of five (5) years at 6% per annum. This accounts receivable has been secured with post-dated checks. The transaction was duly approved by the Insurance Commission (IC).

By Age of the Accounts in 2019

December 31, 2019	*Current*	*Non-Current*	*Total*
Accounts receivable from SEDP, Inc.	₱–	₱20,000,000	**₱20,000,000**
Accrued interest income	563,703	–	**563,703**
Advances to officers and employees	8,130		**8,130**
Other receivables	85,125	–	**85,125**
	₱656,958	₱20,000,000	**₱20,656,958**

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

Allowance for 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%. No ECL of was provided during the year as the existing allowance already covers the required ECL. ₱103,494 was expensed during 2018.

Note 6
Other Assets

This account consists of unused certificates of insurance. Management believes that these assets were not impaired at the end of the year.

Note 7
Furniture, Fixtures and Office Equipment – Net

This consists of the following items which are recorded in the books at costs.

December 31,	2019	2018
IT equipment	₱563,959	₱563,959
Furniture, fixtures and office equipment	169,117	169,117
	733,076	733,076
Less accumulated depreciation	706,862	654,775
	₱26,214	₱78,301

The Association enjoys free use of the building facilities of the Roman Catholic Bishop of Legaspi, Inc. It shares on the costs of monthly utilities of the building.

Reconciliation of the Movements of the Accounts

December 31, 2019	*Opening Balances*	*Additions*	*Retirement*	*Closing Balances*
Cost				
IT equipment	₱563,959	₱–	₱–	₱563,959
Furniture, fixtures and office eqpmnt	169,117	–	–	169,117
Total	733,076	–	–	733,076
Less accumulated depreciation				
IT equipment	485,658	52,087	–	537,745
Furniture, fixtures and office eqpmnt	169,117	–	–	169,117
Total	654,775	52,087	–	706,862
Net Book Value	₱78,301	(₱52,087)	₱–	₱26,214
December 31, 2018				
Cost				
IT equipment	₱552,259	₱11,700	₱–	₱563,959
Furniture, fixtures and office eqpmnt	169,117	–	–	169,117
Total	721,376	11,700	–	733,076
Less accumulated depreciation				
IT equipment	429,660	55,998	–	485,658
Furniture, fixtures and office eqpmnt	169,117	–	–	169,117
Total	598,777	55,998	–	654,775
Net Book Value	₱122,599	(₱44,298)	₱–	₱78,301

Note 8
Investments in Debt and Equity Securities

This account consists of the following investments in:

December 31,	2019	2018
Investments in debt securities at AC	₱181,938,124	₱178,579,465
Investments in equity securities at FVTPL	373,644	–
Investments in equity securities at FVTOCI	19,307,685	–
	₱201,619,453	₱178,579,465

The Association earned interest income from the investments amounting ₱7,783,720 in 2019 and ₱5,395,456 in 2018.

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

December 31,	2019	2018
Treasury Bills		
Metropolitan Bank and Trust Company (MBTC)	**₱8,222,008**	₱7,963,154
Retail Treasury Bonds		
Metropolitan Bank and Trust Company (MBTC)	**34,893,150**	34,872,202
Banco de Oro (BDO)	**22,844,145**	22,804,049
Bank of the Philippine Islands (BPI)	**20,042,890**	38,022,176
Security Bank	**9,935,931**	9,917,884
Philippine National Bank (PNB)	**8,000,000**	5,000,000
	95,716,116	110,616,311
Corporate Bonds		
Philippine National Bank (PNB)	**33,000,000**	41,000,000
Rizal Commercial & Banking Corporation (RCBC)	**5,000,000**	5,000,000
	38,000,000	46,000,000
LTNCDs		
Banco de Oro (BDO)	**9,000,000**	9,000,000
Metropolitan Bank and Trust Company (MBTC)	**5,000,000**	5,000,000
	14,000,000	14,000,000
Long-Term Time Deposits - Restricted		
Philippine National Bank (PNB)	**16,000,000**	–
Rizal Commercial & Banking Corporation (RCBC)	**10,000,000**	–
	26,000,000	–
	₱181,938,124	₱178,579,465

Treasury Bills
The treasury bills represent short-term, zero-coupon investments in quoted government debt securities which are issued at a discount on its face value. The treasury bills purchased through Metropolitan Bank and Trust Company (MBTC) will mature on July 22, 2020.

The rollforward analysis of this account is as follows: (Please see table next page.)

December 31,	2019	2018
Face value	**₱8,570,000**	₱8,000,000
Net discount	**347,992**	36,846
Carrying Amount	**₱8,222,008**	₱7,963,154

Retail Treasury Bonds
These are investments in quoted government debt securities with the following features:

a) The retail treasury bonds purchased through Metropolitan Bank and Trust Company (MBTC) have coupon rates at 3.25% and 4.625% that will mature on the following dates: March 20, 2021, December 4, 2022, and August 15, 2023.

b) The retail treasury bonds purchased through Banco de Oro (BDO) have coupon rates at 3.25% and 4.25% that will mature on the following dates: April 11, 2020, August 15, 2023, and September 20, 2026.

c) The retail treasury bonds purchased through Bank of the Philippine Islands (BPI) have coupon rates at 3.25% and 6.00% that will mature on August 15, 2023 and March 22, 2028, respectively.

d) The retail treasury bond purchased through Security Bank have a coupon rate at 3.25% that will mature on August 15, 2023.

e) The retail treasury bonds purchased through Philippine National Bank (PNB) have coupon rates at 3.25% and 6.25% that will mature on August 15, 2023 and March 12, 2024, respectively.

The rollforward analysis of the retail treasury bonds purchased through LBP is as follows:

December 31,	2019	2018
Face value	**₱96,000,000**	₱93,000,000
Net discount (premium)	**283,884**	(17,616,311)
Carrying Amount	**₱95,716,116**	₱110,616,311

Corporate Bonds
Corporate bonds are debt securities issued by publicly held corporations to raise money for expansion or other business needs. The interest coupons of corporate bonds are either paid quarterly or semi-annually with rates ranging from 3.8915% to 6.75%, maturing in 5 years to 10 years from issuance.

LTNCDs
Long-Term Negotiable Certificate of Deposits (LTNCDs) are offered by banks to investors looking for a relatively safe investment, but with higher interest rates than regular savings accounts or short-term time deposits. LTNCDs can be sold in the secondary market, even before maturity date. The interest coupons of LTNCDs are paid quarterly with rates ranging from 3.75% to 3.875%, maturing in 5 years to 7 years from issuance.

Long-Term Time Deposits – Restricted
The long-term time deposits – restricted reported is in compliance to the Guaranty Fund requirement by the Insurance Commission to be maintained by the Association (See Note 12). The effective interest rate on these deposits ranges from 4.125% to 6%, maturing in 3 years to 5 years from issuance.

Investment in Equity Securities Accounted at Fair Value through Profit or Loss (FVTPL)
This is an investment in the Mutual Security Fund managed by Union Bank of the Philippines' Trust and Investment Services Group. The Association earns dividends from these investments and when there is significant and apparently permanent decline in value of the investment, as indicated by prolonged losses of the investee (and other factors), the carrying amount of the investments are written down to fair value.

Investment in Equity Securities Accounted at Fair Value through Other Comprehensive Income (FVTOCI)
This consists of Unit Investment Trust Fund (UITF) investment in BPI's Bayanihan Balanced Fund, initially purchased at ₱18,000,000, and the fair value of the investment at the end of 2019 amounted ₱19,307,685. The increase in value of the investment, amounting ₱1,307,685, was recorded in the other comprehensive income for the year.

Note 9
Trade and Other Payables

Accounts payable to SEDP MPC, Inc. represents the excess of the budgeted benefits to 283 members who had reached the age 66 years old (₱5,000 per member) accrued at the end of 2018. The total members' benefits amounting ₱1,415,000 has been turned over to the SEDP Foundation, Inc. in 2019 and has been distributed to the corresponding members.

Accrued expenses represents the accrued collection costs subsequently paid in January 2020. Total collection costs paid to SEDP – Simbag sa Pag-asenso, Inc. amounted ₱5,490,951 in 2019 and ₱4,919,345 in 2018.

This details of the accounts are the following:

December 31,	2019	2018
Accrued expenses	**₱5,476,202**	₱4,864,232
Retirement benefit obligations	**804,141**	708,548
Accounts payable to SEDP MPC, Inc.	**210,000**	210,000
Savings fund of employees	**194,656**	197,859
Accounts payable for surrendered membership	**19,640**	30,350
Accounts payable – others	**1,168,430**	676,819
	₱7,873,069	₱6,687,808

Retirement Benefit Obligations
The Association's four (4) regular/permanent employees at the end of 2019 are provided with retirement benefits beginning 2010, based on the 67% of the entitled employees' gross salaries plus one-twelfth (1/12) of their 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. Total pension expenses charged to operations amounted to ₱304,356 in 2019 and ₱472,521 in 2018.

Note 10
Insurance Contract Liabilities

This consists of the following:

December 31,	2019	2018
Claims incurred but not reported	**₱658,189**	₱1,774,594
Claims in the course of settlement	**127,000**	–
	₱785,189	₱1,774,594

Incurred but not reported claims are claims reported beyond the reporting date whose date of claim happened three months before the reporting date. For 2019, claims reported in the months of November 2019, December 2019 and January 2020 whose date of death/claim is before November 1, 2019, are included in this category.

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.

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

Total basic benefits and claims paid to members amounted ₱27,694,781 in 2019 and ₱25,452,905 in 2018.

Note 11
Aggregate Reserves for Unexpired Risks

The aggregate policy reserves represent 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.

This following consist the details of the reserves:

December 31,	2019	2018
Aggregates reserves for members' equity	₱150,699,862	₱127,362,078
Aggregates reserves for credit policies	2,691,139	2,478,910
Aggregates reserves for life policies	726,879	627,844
	₱154,117,880	₱130,468,832

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

December 31, 2019	*Reserves for Members' Equity*	*Reserves for Credit Policies*	*Reserves for Life Policies*	*Total*
Provisions during 2014	₱65,986,915	₱2,351,536	₱1,206,266	₱69,544,717
Provisions during 2015	13,243,621	(615,593)	(812,754)	11,815,274
Provisions during 2016	14,554,323	171,844	(225,963)	14,500,204
Provisions during 2017	14,722,450	219,929	91,466	15,033,845
Provisions during 2018	18,854,769	351,194	368,829	19,574,792
	127,362,078	2,478,910	627,844	130,468,832
Provisions during 2019	23,337,784	212,229	99,035	23,649,048
	₱150,699,862	₱2,691,139	₱726,879	₱154,117,880

In accordance with the provisions of the Insurance Code, every outstanding membership certificate must have, after three (3) full years of being continuously in force, 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 amount of aggregate reserves for members' equity, reserves for credit policies, reserves for life policies and reserves for golden life policies for the years ended December 31, 2019 and 2018, have been computed and certified by the Consulting Actuary of the Association to be in accordance with commonly accepted actuarial standards consistently applied and that the legal policy reserves and other actuarial items are fairly stated in accordance with sound actuarial principles.

Note 12
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 Insurance Code, deposited in a local depository bank. (See Note 8.) The Fund is increased by the 5% contributions from members.

The Guaranty Fund is funded by investments in debt securities, (See Note 8.) which are assigned to the Insurance Commission (IC).

Accounting of Guaranty Fund

December 31,	**2019**	2018
Opening balances	**₱24,319,679**	₱20,982,320
Members contribution during the year	**3,896,370**	3,337,359
Closing balances	**₱28,216,049**	₱24,319,679

Note 13
Special Funds

In accordance with the recommendations of the Insurance Commission, the Association's Board of Trustees approved appropriations of the following special funds from the General Fund:

December 31,	**2019**	2018
Members' Benefits Fund	**₱20,551,751**	₱26,488,244
Capacity Building Fund	**8,515,803**	6,938,331
Members' Education Fund	**8,284,889**	6,468,680
Research and Development Fund	**5,368,393**	4,895,152
Acquisition of Systems and Equipment	**3,798,483**	3,482,988
	₱46,519,319	₱48,273,395

The movements of the appropriated funds during 2019 and 2018, as follows:

December 31, 2019	*Opening Balances*	*Allocations of Net Surplus*	*Disbursements*	*Closing Balances*
Members' Benefits Fund (70%)	₱26,488,244	₱11,042,307	₱16,978,800	**₱20,551,751**
Capacity Building Fund (3%)	6,938,331	1,577,472	–	**8,515,803**
Members' Education Fund (10%)	6,468,680	2,366,209	550,000	**8,284,889**
Research and Dev't. (2%)	4,895,152	473,242		**5,368,394**
Acquisition of Sys & Equip (15%)	3,482,988	315,494	–	**3,798,482**
	₱48,273,395	₱15,774,724	₱17,528,800	**₱46,519,319**
December 31, 2018				
Members' Benefits Fund (70%)	₱22,109,012	₱8,934,427	₱4,555,195	**₱26,488,244**
Capacity Building Fund (3%)	5,947,698	990,633	–	**6,938,331**
Members' Education Fund (10%)	5,532,731	1,485,949	550,000	**6,468,680**
Research and Dev't. (2%)	4,597,962	297,190	–	**4,895,152**
Acquisition of Sys & Equip (15%)	3,284,862	198,126	–	**3,482,988**
	₱41,472,265	₱11,906,325	₱5,105,195	**₱48,273,395**

The appropriated funds are funded by the cash and cash equivalents of the Association. The disbursements of special funds are considered as benefits paid to members.

Note 14
General Fund

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

The Association allocated the excess of twenty percent (20%) of the total liabilities amounting ₱15,774,724 in 2019 and ₱11,906,325 in 2018 to special funds.

Note 15
Members' Premium Contributions

The Association's members are charged twenty pesos (₱20.00) per week, during their active membership in the Association. In accordance with its Rules and Regulations approved by the Insurance Commission (IC), the Association allocates the contributions as follows:

a) 50% is allocated as reserve for members' equity intended for the members' entitlements of equity value;

b) 35% is intended to cover basic benefits such as payments for death or permanent disability claims of a member or its legal spouse below sixty-six (66) years old; or four (4) single, biological and/or legally adopted children who are two weeks old but not more than twenty-one (21) years old single, disabled and incapacitated to work. If single without children, the members' legal dependents include the member's biological parents not more than 65 years. If a member's parents are both deceased upon membership, the member can declare two (2) eldest siblings, at least two (2) weeks old but not more than twenty-one (21) years old;

c) 5% is intended as additional guaranty fund; and

d) 10% is intended to cover administrative costs and expenses.

Every outstanding membership certificate must have, after three (3) full years of being continuously in force, 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.

Every year, a number of members withdrew their equity from the Association. During 2019 and 2018, the total value of equity withdrawn amounted ₱8,709,386 and ₱8,814,632, respectively. The withdrawal of equity is treated as part of the benefits paid to members.

Gross premiums on credit life insurance plan are income from loans on member 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 ₱150, which is non-refundable and does not form part of the members' accumulated and refundable contributions. The amount is treated as income to finance part of the requirements for general and administrative expenses not covered by the 10% allocation from gross premium contributions. Gross premiums on credit life insurance are income from loans on member's which are included in the monthly payments of the loans. The amount of contribution is based on the principal amount and term of loans. Total membership fees collected amounted ₱2,518,223 in 2019 and ₱2,392,228 in 2018.

Note 16
Details of Compensation and Employees' Benefits

Years Ended December 31,	**2019**	2018
Short-term employees' benefits	**₱1,866,022**	₱1,510,733
Post-employment benefits	**304,356**	472,521
	₱2,170,378	₱1,983,254

Note 17
Details of General and Administrative Expenses

Years Ended December 31	2019	2018
Meetings and seminars	₱879,830	₱783,933
Professional fees	506,710	90,860
Association dues	279,388	289,112
Repairs and maintenance	255,102	105,000
General assembly expenses	192,930	299,742
Supplies and materials	176,463	190,748
Taxes and licenses *(Note 23)*	111,245	202,590
Transportation and travel	56,352	67,652
Insurance	43,463	45,482
Communication	33,481	32,243
Provision for expected credit losses (ECL) *(Note 5)*	–	103,494
Miscellaneous expenses	17,151	45,225
	₱2,552,115	₱2,256,081

Note 18
Related Party Transactions

In the ordinary course of trade or business, the Association has transactions with its related parties which include its Board of Trustees, members of various committees and its officers and employees, who are also members of the Association. These transactions are made substantially on the same terms and conditions as with other members of comparable risks. None of the transactions incorporate special terms and conditions and no guarantee is given or received. Outstanding balances are usually settled in cash.

Among these related transactions are the following:

(a) The Association accepts insurance business from the borrowers of SEDP-Simbag sa Pag-Asenso, Inc. and authorizes the institution to collect premium contributions from these members for certain commissions. Total collection costs incurred amounted ₱5,490,951 in 2019 and ₱4,919,345 in 2018.

(b) SEDP – Simbag sa Pag-Asenso, Inc. obtained an unsecured, interest-bearing loan from the Association amounting ₱20 million in 2018. (See Note 5.)

(c) The Chairman of the Board of Trustees of the Association is also a member of the Board of Trustees of SEDP-Simbag sa Pag-Asenso, Inc.

(d) The Association is enjoying free use of the facilities of the Catholic Church in Legaspi City, Albay although it shares the cost of utilities.

(e) The key management compensation follows:

Years Ended December 31	2019	2018
Short-term employee benefits	₱516,039	₱426,061
Post-employment benefits	30,299	23,832
	₱546,338	₱449,893

Note 19
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 2019 statement of financial condition but for which fair value is disclosed.

December 31, 2019	*Level 1*	*Level 2*	*Level 3*	*Total*
Financial assets				
Cash and cash equivalents *(Note 4)*	₱49,100,301	₱–	₱–	**₱49,100,301**
Trade and other receivables *(Note 5)*	–	–	20,553,464	**20,553,464**
Inv. in debt & equity securities *(Note 8)*	201,619,453	–	–	**201,619,453**
	₱250,719,754	₱–	₱20,553,464	**₱271,273,218**
Financial liabilities				
Trade and other payables *(Note 9)*	₱–	₱–	₱7,873,069	**₱7,873,069**
Insurance contract liabilities *(Note 10)*	–	–	785,189	**785,189**
Aggregate reserves for risks *(Note 11)*	–	–	154,117,880	**154,117,880**
	₱–	₱–	₱162,776,138	**₱162,776,138**
December 31, 2018				
Financial assets				
Cash and cash equivalents *(Note 4)*	₱40,001,225	₱–	₱–	**₱40,001,225**
Trade and other receivables *(Note 5)*	–	–	20,595,285	**20,595,285**
Inv. in debt & equity securities *(Note 8)*	178,579,465	–	–	**178,579,465**
	₱218,580,690	₱–	₱20,595,285	**₱239,175,975**
Financial liabilities				
Trade and other payables *(Note 9)*	₱–	₱–	₱6,687,808	**₱6,687,808**
Insurance contract liabilities *(Note 10)*	–	–	1,774,594	**1,774,594**
Aggregate reserves for risks *(Note 11)*	–	–	130,468,832	**130,468,832**
	₱–	₱–	₱138,931,234	**₱138,931,234**

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 counter-parties, 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 following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis as of December 31, 2019 and 2018.

December 31, 2019	*Level 1*	*Level 2*	*Level 3*	*Total*
Other assets *(Note 6)*	₱–	₱–	₱74,987	**₱74,987**
Furniture, fixt & office equip - net *(Note 7)*	–	–	26,214	**26,214**
	₱–	₱–	₱101,201	**₱101,201**

December 31, 2018	*Level 1*	*Level 2*	*Level 3*	*Total*
Other assets *(Note 6)*	₱–	₱–	₱56,279	**₱56,279**
Furniture, fixt & office equip - net *(Note 7)*	–	–	78,301	**78,301**
	₱–	₱–	₱134,580	**₱134,580**

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 20
Capital Management Objectives, Policies and Procedures

The Association maintains a certain level of capital to ensure sufficient solvency margins and to adequately protect its members. The level of capital maintained is always aimed to be higher than the minimum capital requirements of the IC. The Association considers the entire equity in determining the capital.

The Association maintains a certain level of capital to ensure sufficient solvency margins and to adequately protect its members. The Association's Board of Trustees reviews regularly its capital structure and considers the cost of capital and the risks associated with each class of capital. Management regularly monitors the capital requirements of the Association, taking account of future balance sheet growth, profitability, and any anticipated regulatory changes, in order to ensure that the Association is at all times able to meet the forecast future minimum capital requirements. The Association's overall strategy remains unchanged from the past year.

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 ₱28,216,049 (See Note 12) and having funded it with investments in debt securities at the end of 2019.

Note 21
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), trade and other receivables (Note 5), investments in debt and equity securities (Note 8), trade and other payables (Note 9), insurance contract liabilities (Note 10) and aggregate reserves for unexpired risks (Note 11). 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 2019, the Association purchased financial instruments as part of its investment strategies. The Association is now exposed to investment risks beginning 2019.

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, 2019	*Neither Past Due Nor Impaired*	*Past Due But Not Impaired*	*Total*
Cash and cash equivalents *(Note 4)*	₱49,100,301	₱–	₱49,100,301
Trade and other receivables *(Note 5)*	553,464	–	553,464
Inv. in debt & equity securities *(Note 8)*	201,619,453	–	201,619,453
	₱251,273,218	₱–	₱251,273,218
	100%	0.00%	100%
December 31, 2018			
Cash and cash equivalents *(Note 4)*	₱40,001,225	₱–	₱40,001,225
Trade and other receivables *(Note 5)*	595,285	–	595,285
Inv. in debt & equity securities *(Note 8)*	178,579,465	–	178,579,465
	₱219,175,975	₱–	₱219,175,975
	100%	0.00%	100%

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

December 31, 2019	*High Grade*	*Standard Grade*	*Impaired*	*Total*
Cash and cash equivalents *(Note 4)*	₱49,100,301	₱–	₱–	₱49,100,301
Trade and other receivables *(Note 5)*	553,464	–	–	553,464
Inv. in debt & equity securities *(Note 8)*	–	201,619,453	–	201,619,453
	₱49,653,765	₱201,619,453	₱–	₱251,273,218
December 31, 2018				
Cash and cash equivalents *(Note 4)*	₱40,001,225	₱–	₱–	₱40,001,225
Trade and other receivables *(Note 5)*	595,285	–	–	595,285
Inv. in debt & equity securities *(Note 8)*	–	178,579,465	–	178,579,465
	₱40,596,510	₱178,579,465	₱–	₱219,175,975

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.

(a) *Price risk.*
The Association has no exposure to price risks as its investments in quoted equity and debt securities are of fixed interest rates.

(b) *Interest rate risk.*
The Association's interest rate risk arises from its time deposits with banks. The Association invested in fixed rate deposits to mitigate the risks.

(c) *Foreign currency exchange rate risk.*
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, 2019	*Due in One Year*	*Due Over One Year*	*Total*
Trade and other payables *(Note 9)*	₱7,873,069	₱–	**₱7,873,069**
Insurance contract liabilities *(Note 10)*	785,189	–	**785,189**
Aggregate reserves for unexpired risks *(Note 11)*	–	154,117,880	**154,117,880**
	₱8,658,258	₱154,117,880	**₱162,776,138**
	5.32%	94.68%	**100.00%**

Note 22
Commitments and Contingencies

In the normal course of its operations, the Association makes various commitments and incurs certain contingent liabilities which are not reflected in the accompanying financial statements. Management anticipates no material losses, if any, that may arise from these commitments and contingencies.

Note 23
Events After Reporting Date – Onslaught of the Coronavirus Disease (2019)

The World Health Organization (WHO) declared the Coronavirus Disease (2019) (COVID-19) outbreak a pandemic on March 11, 2020 to signify its severity and global coverage and urged countries to take 'urgent and aggressive action.' The outbreak was first noticed in China and then in Europe (particularly Spain, Italy and France) where multiple deaths by the thousands were reported. In the Philippines, there were already 25,392 total confirmed cases, 1,074 deaths, and 5,706 recoveries as of June 13, 2020.

As the pandemic began its spread throughout the world, several countries have taken a variety of measures from mass testing, travel/border restrictions, to lockdowns in a bid to contain the virus. Governments and central banks have likewise been adjusting their monetary and fiscal policies to mitigate the economic impact of the pandemic. It is anticipated that the pandemic will translate into a world-wide economic crisis and may eventually lead to social and political crisis.

Predicting the impact of COVID-19 pandemic in the Philippines is difficult to make at this time because much will depend on the spread of the disease and whether the measures undertaken by the Government will successfully contain its spread. Initial results of the month-long community quarantine (CQ) and the extended community quarantine (ECQ) however indicated that, except for the National Capital Region (NCR), cities and provinces have so far contained the spread of the virus in their areas. But a second wave of infection is anticipated as had happened in China and Korea, and the Philippine Government may continue to impose CQs or ECQs.

Under the present scenario, it is anticipated that the impact on the economy will likely manifest in a sharp drop in overall domestic consumer demand for nonessential goods and services. Demand for food, medical assistance and other essential items is expected to rise, but this would not offset the lower demand for non-essential goods such as apparel and various services. Remittances from overseas Filipino workers are expected to slow down due to layoffs and delayed salary payments of Filipino OFWs especially in countries that are also affected by COVID-19.

The National Economic and Development Authority (NEDA), in its March 19, 2020 report Addressing the Social and Economic Impact of the COVID-19 Pandemic, estimated that the adverse impact of COVID-19 will be felt by the country until June 2020, and that the simultaneous adverse effects on the supply and demand side of the economy will result in the reduction of the Philippine's real GDP growth to -0.06% to 4.3% in 2020, unless mitigating measures are effectively implemented.

Projecting the impact of COVID-19 on the operations of the Association is presently daunting and difficult. Clearly, it is still too early to say how long will the infection last; whether there will be return waves; whether the Government will continue to impose CQs or ECQs. Besides, this assessment was made at a time when all of the Association's human resources were still in quarantine.

The Association anticipates that COVID-19 will impact on its revenue generation for 2020, both from premium contributions from members and from revenue from investments in financial instruments. It will likewise impact on the valuation of its financial assets and may even expose the Association to heightened credit and liquidity risks as it is highly possible that there are COVID-19 fatalities from members. The Board of Trustees will endeavor to quantify the full impact of COVID-19 on its overall operations as soon as it is able to return to full operations.

The Board of Trustees has determined that the impact of COVID-19 will be felt in 2020 and that there have been no adjustments necessary on its 2019 financial statements.

Note 24
<u>Authorization of Financial Statements</u>

The Association's financial statements as of December 31, 2019, and for the period then ended, were authorized for issue by the Executive Committee of the Board of Trustees on June 14, 2020.

Note 25
<u>Details of Taxes, Licenses and Fees</u>

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

Years Ended December 31	**2019**	2018
License renewal and filing fees	**₱107,130**	₱198,990
Local taxes/fees (business permits, etc.)	**3,615**	3,100
BIR annual registration	**500**	500
	₱111,245	₱202,590

SUPPLEMENTARY SCHEDULE TO THE FINANCIAL STATEMENTS

Annex I	Effective Standards and Interpretations Under PFRS as of December 31, 2019, Adopted Beginning January 1, 2019

EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER PFRS AS OF DECEMBER 31, 2019, ADOPTED BEGINNING JANUARY 1, 2019

Simbag sa Emerhensya Asin Dagdag Paseguro Mutual Benefit Association (SEDP MBA), Inc.

Effective as of December 31, 2019	*Adopted*	*Not Adopted*	*Not Applicable*
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and Qualitative Characteristics	√ √		
PFRSs Practice Statement Management Commentary	√		
PHILIPPINE FINANCIAL REPORTING STANDARDS			
PFRS 1 (Revised) First-time Adoption of Philippine Financial Reporting Standards	√		
Amendment: Cost of an Investment in a Subsidiary, Joint Controlled Entity or Associate	√		
Amendment: Additional Exemptions for First-time Adopters	√		
Amendment: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	√		
Amendment: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	√		
Amendments to PFRS 1: Government Loans	√		
Amendments to PFRS 1:Annual Improvements 2009-2012 Cycle	√		
Amendments to PFRS 1:Annual Improvements 2011-2013	√		
Amendments to PFRS 1:Annual Improvements 2014-2016	√		
PFRS 2 Share-based Payment			√ √
Amendment: Vesting Conditions and Cancellations			√
Amendment: Group Cash-settled Share-based Payment Transactions			√
Amendment: Classification and Measurement of Share-based Payment Transactions			√
PFRS 3 (Revised) Business Combinations			√
Amendment: Annual Improvements to IFRSs 2010-2012 Cycle			√
Amendment: Annual Improvements to IFRSs 2011-2013 Cycle			√
Amendment: Annual Improvements to IFRSs 2015-2017 Cycle			√
Amendment: Definition of a Business (Amendments to IFRS 3)			√
PFRS 4 Insurance Contracts	√		
Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	√		
Amendment to PFRS 4: Applying PFRS 9 with PFRS 4.	√		
PFRS 5 Non-current Assets Held for Sale and Discontinued Operations			√
Amendment to PFRS 5: Improvements to PFRSs 2014			√
PFRS 6 Exploration for and Evaluation of Mineral Resources			√
PFRS 7 Financial Instruments: Disclosures	√		
Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	√		
Amendments to PAS 39 and PFRS 7: Reclass of Financial Assets – Effective Date and Transition	√		
Amendments: Improving Disclosures about Financial Instruments	√		
Amendments: Disclosures – Transfers of Financial Assets	√		
Amendments: Disclosures – Offsetting Financial Assets and Financial Liabilities	√		
Amendments: Mandatory Effective Date of PFRS 9 and Transition Disclosures	√		
Amendments: Additional disclosures and consequential amendments	√		
Amendments: Improvements to IFRSs 2014	√		
Amendments: Additional disclosures around uncertainty arising from interest rate benchmark reform	√		
PFRS 8 Operating Segments			√
PFRS 9 Financial Instruments (2014 version)	√ √		
Amendments to PFRS 9:Mandatory Effective Date of PFRS9 and Transition Disclosures*	√		
Amendment: Applying PFRS 9 with IFRS 4.	√		

Effective as of December 31, 2019	*Adopted*	*Not Adopted*	*Not Applicable*
Amendment: Prepayment Feature with Negative Compensation	√		
PFRS 10			
Consolidated Financial Statements			√
Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			√
Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor*			√
PFRS 11 (Amended)			
Joint Arrangements			√
Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations*			√
Amendment: Annual Improvements to PFRS Standards 2015-2017 Cycle			√
PFRS 12			
Disclosure of Interests in Other Entities			√
Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			√
Amendments: Investment Entities: Applying the Consolidation Exception			√
Amendments: Annual Improvements to PFRS Standards 2014-2016 Cycle			√
PFRS 13			
Fair Value Measurement	√		
Amendments to PFRS 13: Short-term Receivables and Payables	√		
Amendments to PFRS 13: Portfolio Exception	√		
PFRS 14			
Regulatory Deferral Accounts	√		
PFRS 15			
Revenue from Contracts with Customers	√		
PFRS 16			
Leases	√		
PFRS 17			
Insurance Contracts*		√	
PHILLIPINE (INTERNATIONAL) ACCOUNTING STANDARDS			
PAS 1 (Revised)			
Presentation of Financial Statements	√		
Amendment: Capital Disclosures	√		
Amendments to PAS 32 and PAS 1: Puttable Fin. Instruments and Obligations Arising on Liquidation			√
Amendments: Presentation of Items of Other Comprehensive Income	√		
Amendments: Disclosure Initiative	√		
Amendments: Definition of Material	√		
PAS 2			
Inventories	√		
PAS 7			
Statement of Cash Flows	√		
Amendment: Disclosure Initiative	√		
PAS 8			
Accounting Policies, Changes in Accounting Estimates and Errors	√		
Amendments: Definition of Material		√	
PAS 10			
Events after the Reporting Period	√		
PAS 12			
Income Taxes	√		
Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	√		
Amendment: Recognition of Deferred Tax Assets for Unrealized Losses	√		
Amendment: Annual Improvements to PFRS Standards 2015-2017	√		
PAS 16			
Property, Plant and Equipment	√		
Amendments: Clarification of Acceptable Methods of Depreciation and Amortization*	√		
Amendments to PAS 16 and PAS 41: Bearer Plants*		√	
PAS 19 (Amended)			
Employee Benefits		√	
Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures		√	
Amendments to PAS 19: Defined Benefit Plans: Employee Contributions		√	
Amendments to PAS 19: Discount Rate: Regional Market Issue		√	
Amendments: Plan Amendment, Curtailment or Settlement		√	
PAS 20			
Accounting for Government Grants and Disclosure of Government Assistance			√

Effective as of December 31, 2019	*Adopted*	*Not Adopted*	*Not Applicable*
PAS 21 The Effects of Changes in Foreign Exchange Rates			√
Amendment: Net Investment in a Foreign Operation			√
PAS 23 (Revised) Borrowing Costs			√
Amendments: Annual Improvements to IFRS Standards 2015-2017			√
PAS 24 (Revised) Related Party Disclosures	√		
PAS 26 Accounting and Reporting by Retirement Benefit Plans			√
PAS 28 (Amended) Investments in Associates and Joint Ventures			√
Amendments: Sale or Contrib. of Assets Between an Investor and its Associate or Joint Venture			√
Amendments to PAS 28, Investment Entities: Applying the Consolidation Exception			√
Amendments: Long-term Interests in Associates and Joint Ventures			
PAS 29 Financial Reporting in Hyperinflationary Economies			√
PAS 32 Financial Instruments: Disclosure and Presentation	√		
Amendments to PAS 32 and PAS 1: Puttable Fin. Instruments &Obligations Arising on Liquidation			√
Amendment to PAS 32: Classification of Rights Issues			√
Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	√		
PAS 33 Earnings per Share	√		
PAS 34 Interim Financial Reporting			√
Amendment: Improvements to IFRSs 2014			√
PAS 36 Impairment of Assets	√		
Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	√		
PAS 37 Provisions, Contingent Liabilities and Contingent Assets	√		
PAS 38 Intangible Assets	√		
Amendments: Clarification of Acceptable Methods of Depreciation and Amortization*	√		
PAS 40			
Investment Property			√
Amendments: Transfers of Investment Property			√
PAS 41			
Agriculture			√
Amendments to PAS 41: Bearer Plants			√
IFRIC 1			
Changes in Existing Decommissioning, Restoration and Similar Liabilities			√
IFRIC 2			
Members' Share in Co-operative Entities and Similar Instruments			√
IFRIC 5 Rights to Interests arising from Decommissioning, Restoration &Environmental Rehabilitation Funds			√
IFRIC 6 Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			√
IFRIC 7			
Applying Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			√
IFRIC 9 Reassessment of Embedded Derivatives			√
Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			√
IFRIC 10 Interim Financial Reporting and Impairment			√
IFRIC 12 Service Concession Arrangements			√
IFRIC 14 PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Reqrmnts and their Interaction			√
Amendment IFRIC - 14, Prepayments of a Minimum Funding Requirement			√