Isla Lipana & Co.

CCT Mutual Benefit Association, Inc.
(A non-stock, non-profit association)

Financial Statements

As at and for the years ended December 31, 2025 and 2024

Isla Lipana & Co.

Independent Auditor's Report

To the Board of Trustees of
CCT Mutual Benefit Association, Inc.
(A non-stock, non-profit association)
5th Floor, Echelon Tower,
2100 A. Mabini St.
Malate, Manila

Report on the Audits of the Financial Statements

Our Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of CCT Mutual Benefit Association, Inc. (the "Association") as at December 31, 2025 and 2024, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

What we have audited

The financial statements of the Association comprise:

- the statements of assets, liabilities and fund balance as at December 31, 2025 and 2024;
- the statements of total comprehensive income for the years ended December 31, 2025 and 2024;
- the statements of changes in fund balance for the years ended December 31, 2025 and 2024;
- the statements of cash flows for the years ended December 31, 2025 and 2024; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for Qualified Opinion

As disclosed in Notes 1 and 12, the Association is subject to a regulatory matter involving a violation of certain provisions of the Insurance Commission (IC). The corresponding penalty remains subject to determination and final assessment by the regulator. While prevailing guidance provides a basis for computing an indicative exposure, such an amount is highly sensitive to regulatory discretion and underlying assumptions, and no formal assessment has been issued by the regulator as at the date of this report. Accordingly, there is no sufficient basis to determine a reliable best estimate. We were therefore unable to determine whether any adjustments to the financial statements may be necessary.

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Independence

We are independent of the Association in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), as applicable to the audits of the financial statements of public interest entities, together with the ethical requirements that are relevant to our audit of the financial statements of public interest entities in the Philippines. We have fulfilled our other ethical responsibilities in accordance with these requirements and Code of Ethics.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s 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 auditor’s report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on the Bureau of Internal Revenue Requirement

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 21 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 supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Isla Lipana & Co.

Imelda dela Vega - Mangundaya
Partner
CPA Cert. No. 0090670
PTR. No. 0024586; issued on January 8, 2026, Makati City
SEC A.N (individual) as general auditors 90670-SEC, Category A;
valid to audit 2019 to 2025 financial statements
SEC A.N (firm) as general auditors 0142-SEC, Category A;
valid to audit 2020 to 2025 financial statements
T.I.N. 152-015-124
BIR A.N. 08-000745-047-2024; issued on October 30, 2024; effective until October 29, 2027
BOA/PRC Reg. No. 0142/P-004, effective until November 14, 2028

Makati City
April 28, 2026

CCT Mutual Benefit Association, Inc.
(A non-stock, non-profit association)

Statements of Assets, Liabilities and Fund Balance
As at December 31, 2025 and 2024
(All amounts in Philippine Peso)

	Notes	2025	2024
ASSETS			
Cash and cash equivalents	2	96,331,468	71,598,177
Short-term investments	3	27,006,494	20,738,295
Receivables	4	4,932,089	7,485,082
Due from related ministries	15	11,891,042	30,391,470
Guaranty fund	5		
Held-to-maturity (HTM) investment		21,835,110	14,709,620
Certificate of time deposits		-	3,513,575
Property and equipment, net	6	307,483	521,705
Intangible asset-in-progress		1,843,000	1,843,000
Other asset		257,034	257,034
Total assets		164,403,720	151,057,958
LIABILITIES AND FUND BALANCE			
Accrued expenses and other liabilities	7	37,424,016	36,200,951
Claims and benefits payable	8	570,500	755,000
Legal policy reserve	8	1,544,240	1,415,053
Reserve for refund of members' equity	9	46,261,416	39,772,303
Retirement savings fund	10	11,179,030	11,124,583
Retirement benefit obligation	11	835,987	850,991
Total liabilities		97,815,189	90,118,881
Retained surplus			
Appropriated	13	31,157,865	35,555,065
Unappropriated	13	35,172,263	25,277,674
Accumulated other comprehensive income	11	258,403	106,338
Total fund balance		66,588,531	60,939,077
Total liabilities and fund balance		164,403,720	151,057,958

(The notes on pages 1 to 29 are integral part of these financial statements)

CCT Mutual Benefit Association, Inc.
(A non-stock, non-profit association)

Statements of Total Comprehensive Income
For the years ended December 31, 2025 and 2024
(All amounts in Philippine Peso)

	Notes	2025	2024
REVENUES			
Members' premium contributions		63,362,835	58,974,006
Membership fees		29,100	24,045
Donations and grants	14	-	354,478
Interest income	2,3,5	2,989,210	2,496,042
Other income		4,156	17,216
Total revenues		66,385,301	61,865,787
BENEFITS AND CLAIMS EXPENSES			
Death and other policy benefits	8	22,434,687	27,740,216
Allocation for liability on member's equity value	9	6,384,907	5,495,616
Collection fees	15	6,013,874	1,284,376
Membership enrolment and marketing		8,209,522	6,602,536
Total benefit and claims expenses		43,042,990	41,122,744
EXCESS OF REVENUE OVER BENEFITS		23,342,311	20,743,043
GENERAL AND ADMINISTRATIVE EXPENSES	14	(17,844,922)	(11,880,576)
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR		5,497,389	8,862,467
OTHER COMPREHENSIVE INCOME			
Item that will not be reclassified to profit or loss			
Remeasurement gain on retirement benefit obligation	11	152,065	9,220
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		5,649,454	8,871,687

(The notes on pages 1 to 29 are integral part of these financial statements)

CCT Mutual Benefit Association, Inc.
(A non-stock, non-profit association)

Statements of Changes in Fund Balance
For the years ended December 31, 2025 and 2024
(All amounts in Philippine Peso)

	Retained surplus (Note 13)			Accumulated other comprehensive loss (Note 11)	Total
	Appropriated	Unappropriated	Total		
Balances at January 1, 2024	35,555,065	16,415,207	51,970,272	97,118	52,067,390
Comprehensive income					
Excess of revenue over expenses for the year	-	8,862,467	8,862,467	-	8,862,467
Other comprehensive income	-	-	-	9,220	9,220
Total comprehensive income for the year	-	8,862,467	8,862,467	9,220	8,871,687
Balances at December 31, 2024	35,555,065	25,277,674	60,832,739	106,338	60,939,077
Comprehensive income					
Excess of revenue over expenses for the year	-	5,497,389	5,497,389	-	5,497,389
Other comprehensive income	-	-	-	152,065	152,065
Total comprehensive income for the year	-	5,497,389	5,497,389	152,065	5,649,454
Transactions with owners					
Release of appropriated surplus	(4,397,200)	4,397,200	-	-	-
Balance at December 31, 2025	31,157,865	35,172,263	66,330,128	258,403	66,588,531

(The notes on pages 1 to 29 are integral part of these financial statements)

CCT Mutual Benefit Association, Inc.
(A non-stock, non-profit association)

Statements of Cash Flows
For the years ended December 31, 2025 and 2024
(All amounts in Philippine Peso)

	Notes	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess of revenue over expenses for the year		5,497,389	8,862,467
Adjustments for:			
Change in legal policy reserve	8	129,187	1,252,415
Change in incurred but not reported claims	8	(184,500)	279,301
Retirement benefit expense	11	137,061	128,418
Depreciation	6	265,367	265,000
Interest expense on reserve for refund of members' equity	9,10	285,773	175,977
Interest income	2,3,5	(2,989,210)	(2,496,042)
Excess of revenue over expenses before working capital changes		3,141,067	8,467,536
Changes in working capital			
(Increase) decrease in:			
Due from related ministries		18,500,428	(10,171,514)
Receivables		2,552,993	(3,968,848)
(Decrease) increase in:			
Insurance contract liabilities	8		
Claims and benefits during the year		21,735,000	26,208,500
Claims paid		(21,735,000)	(26,208,500)
Reserve for refund of members' equity	9		
Contribution		6,322,207	5,517,759
Refund		(63,250)	(1,116,747)
Retirement savings fund	10		
Refund		(1,170)	(375,344)
Accrued expenses and other liabilities		1,223,065	(6,193,410)
Cash generated from (used in) operations		31,675,340	(7,840,568)
Interest received	2,3,5	2,989,210	2,496,042
Net cash from (used in) operating activities		34,664,550	(5,344,526)
CASH FLOW FROM INVESTING ACTIVITIES			
Increase in short-term investments		(6,268,199)	(711,571)
Acquisition of:			
Property and equipment and Intangible asset in progress	6	(51,145)	(13,780)
Guaranty fund	5		
HTM investment		(16,835,110)	(9,709,620)
Proceeds from guaranty fund	5		
Maturities of:			
Certificate of time deposit		3,513,575	2,402,619
HTM investment		9,709,620	6,912,326
Net cash used in investing activities		(9,931,259)	(1,120,026)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		24,733,291	(6,464,552)
CASH AND CASH EQUIVALENTS			
January 1		71,598,177	78,062,729
December 31	2	96,331,468	71,598,177

(The notes on pages 1 to 29 are integral part of these financial statements)

CCT Mutual Benefit Association, Inc.
(A non-stock, non-profit association)

Notes to Financial Statements
As at and for the years ended December 31, 2025 and 2024
(All amounts are shown in Philippine Peso unless otherwise stated)

1 General information

CCT Mutual Benefit Association, Inc., (the "Association") was registered with the Securities and Exchange Commission (SEC) as a non-stock, non-profit association on October 6, 2016 with SEC Registration No. CN201623341. The Association was incorporated to extend financial assistance to its members, spouse, children, and parents in the form of death benefits, sickness benefits, provident savings and loan redemption assistance.

In 2016, the Insurance Commission (IC) granted the Association a license to transact business as a mutual benefit association (MBA) which is valid until December 31, 2018. The Association commenced with its MBA operations in February 2017. On February 6, 2019, the IC approved the renewal of the Association's license as an MBA, which is valid until December 31, 2021. On December 3, 2021, the IC approved the renewal of the Association's license as an MBA, which is valid until December 31, 2024. On November 14, 2024, the IC approved the renewal of the Association's license as an MBA, which is valid until December 31, 2027.

As a non-stock, not-for-profit entity, the Association is exempt from paying income taxes as set forth in Section 30 (C) of the National Internal Revenue Code.

As at December 31, 2025, the Association has 14 (2024 - 12) employees.

The Association's registered office address is 5th Floor, Echelon Tower, 2100 A. Mabini St., Malate, Manila.

The Association is subject to a regulatory matter involving a violation of certain provisions of the IC. The corresponding penalty remains subject to determination and final assessment by the regulator. While prevailing guidance provides a basis for computing an indicative exposure, such an amount is highly sensitive to regulatory discretion and underlying assumptions, and no formal assessment has been issued by the regulator as at April 28, 2026 (Note 12).

The accompanying financial statements were approved and authorized for issue on April 24, 2026 by the Association's Board of Trustees (BOT). There were no material events that occurred from April 24 to April 28, 2026.

2 Cash and cash equivalents

Details of the accounts as at December 31 consist of:

	2025	2024
Cash on hand	55,000	42,000
Cash in banks	26,534,008	38,258,144
Time deposits	69,742,460	33,298,033
	96,331,468	71,598,177

Cash in banks earn interest at the prevailing bank deposit rate of 0.0625% per annum in 2025 and 2024. Interest income earned from cash in banks amounts to P20,284 for the year ended December 31, 2025 (2024 - P20,817).

Time deposits as at December 31, 2025 have an average maturity of 49 days (2024 - 44 days) and earn interest ranging from 3.50% to 4.13% (2024 - 3.00% to 5.00%). Interest income earned from time deposits amounts to P1,779,660 for the year ended December 31, 2025 (2024 - P963,179).

Cash and cash equivalents are classified as current assets.

3 Short-term investments

This account represents placements in time deposits amounting to P27.01 million as at December 31, 2025 (2024 - P20.74 million), with a term of 91 and 92 days (2024 - 92 days) and earns interest ranging from 3.38% to 3.50% (2024 - 3.95%) per annum. For the year ended December 31, 2025, interest income earned from short-term investments amounts to P550,967 (2024 - P711,571).

Short-term investments are classified as current assets.

4 Receivables

Details of the account at December 31 follow:

	2025	2024
Advances and other receivables	4,931,639	7,484,632
Members' contributions due and uncollected	450	450
	4,932,089	7,485,082

Advances and other receivables include advances to employees, which are collected through salary deduction, and a portion of the guaranty fund amounting to P2,402,619 that matured in 2024 but remained uncollected as at December 31, 2024. This amount was collected in 2025.

The members of the Association contribute on a weekly basis. Any member who fails to pay the weekly contribution shall be given a grace period of 45 days from the date of default of contributions. When the grace period lapses, it can be reinstated within three (3) years from the date the policy lapsed, provided that the equity value has not been surrendered. Otherwise, the membership is cancelled. The reinstatement requires payment of at least one weekly contribution in arrears.

No allowance for impairment is provided on these receivables as the accounts are deemed to be fully collectible.

All receivables are classified as current assets.

5 Guaranty fund

This account pertains to the Association's guaranty fund in compliance with the licensure requirement of the IC following Section 408 of Republic Act No. 10607, an Act Strengthening the Insurance Industry, Further Amending Presidential Decree No. 612, otherwise known as "The Insurance Code" (the "amended Code"). The amended Code, which was approved on August 15, 2013, provides that no mutual benefit association shall be issued a license to operate as such unless it has constituted and established a guaranty fund with an initial amount of P5,000,000 to answer for any valid claim of any of its members.

Every year, thereafter, under Insurance Memorandum Circular No. 9-2006, all microinsurance MBAs must increase their guaranty fund by an amount equivalent to five percent (5%) of their gross premium collections until the amount of guaranty fund reaches twelve and a half percent (12.5%) of the required capital for domestic life insurance companies of P1,300,000,000.

The Association has P21,835,110 total guaranty fund in 2025 (2024 - P18,223,195). Of the total guaranty fund, nil (2024 - P3,513,575) is in a five-year time deposit certificate placed in a local bank while remaining amount of P21,835,110 as recommended by the IC, are placed with government securities designated and measured as HTM investment (2024 - P14,709,620).

The movement in certificate of time deposit as at December 31 is as follows:

	2025	2024
January 1	3,513,575	5,916,194
Additions	-	-
Maturities	(3,513,575)	(2,402,619)
December 31	-	3,513,575

The movement in HTM investments as at December 31 is as follows:

	2025	2024
January 1	14,709,620	11,912,326
Additions	16,835,110	9,709,620
Maturities	(9,709,620)	(6,912,326)
December 31	21,835,110	14,709,620

As at December 31, 2025, guaranty fund earns interest at the prevailing average bank deposit rate per annum of 4.88% (2024 - 5.70%). Interest income earned amounts to P638,299 for the year ended December 31, 2025 (2024 - P800,475).

The guaranty fund, which consists of certificates of time deposit and HTM investments, is classified as a non-current asset.

6 Property and equipment, net

Property and equipment, net

Details of the account at December 31 follow:

	Computer equipment	Furniture and fixtures	Transportation equipment	Total
Cost				
At January 1, 2024	467,900	544,150	1,325,000	2,337,050
Additions	-	13,780	-	13,780
At December 31, 2024	467,900	557,930	1,325,000	2,350,830
Additions	8,795	42,350	-	51,145
At December 31, 2025	476,695	600,280	1,325,000	2,401,975
Accumulated depreciation				
At January 1, 2024	467,900	544,142	552,083	1,564,125
Depreciation	-	-	265,000	265,000
At December 31, 2024	467,900	544,142	817,083	1,829,125
Depreciation	-	367	265,000	265,367
At December 31, 2025	467,900	544,509	1,082,083	2,094,492
Net book value				
At December 31, 2024	-	13,788	507,917	521,705
At December 31, 2025	8,795	55,771	242,917	307,483

Depreciation for the year is presented as part of general and administrative expenses in the statement of total comprehensive income (Note 14).

Computer equipment, although fully depreciated, continues to be actively used.

Intangible asset-in-progress

In 2021, the Association paid P1,175,000 for a software relating to the CCT MBA Insurance System which is expected to be completed and used on May 2026. In 2022, the Association paid an additional amount of P668,000 for the intangible asset in progress. As of December 31, 2025 and 2024, the insurance system has not yet been placed into service and is expected to be operational in the succeeding year.

7 Accrued expenses and other liabilities

Details of the account at December 31 follow:

	Notes	2025	2024
Premium received in advance	1,12	30,098,465	30,098,465
Advance members' contributions		2,224,817	1,326,853
Accrued expenses		1,437,592	2,820,655
Payable to government agencies		163,897	76,179
Other liabilities		3,499,245	1,878,799
		37,424,016	36,200,951

Premiums received in advance represent premium deposits collected from members for the CCT Sigurado product prior to its approval by the IC (Notes 1 and 12).

Advance members' contributions pertain to the revised Basic Life Insurance Plan (BLIP) and optional product.

Accrued expenses pertain to accrual of various expenses such as professional and membership fees.

Payable to government agencies consist of withholding taxes, SSS, PhilHealth and HDMF payable.

Other liabilities include provision for medical health fund, Ruralnet system monthly subscription and interministry payable.

Accrued expenses and other liabilities are classified as current liabilities.

8 Insurance contract liabilities

The reconciliation of the Association's claims and benefits payable and legal policy reserve as at December 31 is as follows:

	Claims and benefits payable			Legal policy	
2025	Actual	IBNR	Total	reserve	Total
January 1	-	755,000	755,000	1,415,053	2,170,053
Claims and benefits/ reserve during the year	21,735,000	570,500	22,305,500	129,187	22,434,687
Claims paid	(21,735,000)	(755,000)	(22,490,000)	-	(22,490,000)
December 31	-	570,500	570,500	1,544,240	2,114,740

	Claims and benefits payable			Legal policy	
2024	Actual	IBNR	Total	reserve	Total
January 1	-	475,699	475,699	162,638	638,337
Claims and benefits/ reserve during the year	26,208,500	279,301	26,487,801	1,252,415	27,740,216
Claims paid	(26,208,500)	-	(26,208,500)	-	(26,208,500)
December 31	-	755,000	755,000	1,415,053	2,170,053

Claims and benefits payable

Claims and benefits payable include claims on insurance contracts filed or reported to the Association but not yet paid and claims incurred but not yet reported (IBNR) as at reporting date.

Legal policy reserve

Legal policy reserves represent the total actuarial reserve for the revised BLIP and optional policies (CCT Sigurado) in force as at December 31, 2025.

On December 28, 2016, pursuant to Sections 216 and 423 of the amended Code, the IC promulgated the new Valuation Standards for Life Insurance Policy Reserves under Circular Letter (CL) 2016-66, which changed the valuation standards to gross premium valuation with effective date beginning January 1, 2017. However, the IC issued Advisory No. 6-2018, prescribing the deferral of the implementation date of CL 2016-66 until such time the IC issues a new Financial Reporting Framework ("FRF") for MBAs.

The movements in legal policy reserve and IBNR provisions are accounted for as non-cash transactions in the statement of cash flows.

Legal policy reserve is classified as a non-current liability that is expected to be settled over the duration of the related coverage, with significant expected settlement occurring beyond 12 months from the reporting date.

9 Reserve for refund of members' equity

A member shall be entitled to a members' equity value (MEV) equal to at least 50% of the total gross life insurance contributions paid for the BLIP, as required under the amended Code. Interest shall be credited to the equity value annually at a rate determined by the BOT but in no case less than the prevailing savings account interest rate of the top three (3) commercial banks, provided the Association earns a net surplus at the end of reporting period. The MEV, inclusive of interest thereon, is payable upon termination of membership from the Association including, but not limited to, death or total and permanent disability, or upon reaching the termination age of 65 years old.

Movements in the reserve for refund of members' equity as at December 31 follow:

	2025	2024
January 1	39,772,303	35,195,314
Contributions during the year	6,323,394	5,517,759
Refunds during the year	(64,437)	(1,116,747)
Interest expense	230,156	175,977
December 31	46,261,416	39,772,303

Interest expense is presented as part of the general and administrative expenses (Note 14). As at December 31, 2025, the accumulated interest to be distributed to members amounts to P1,430,771 (2024 - P1,200,615).

Refunds pertain to payments to members of the equity due upon termination of membership from the Association.

Reserve for refund of members' equity is classified as a non-current liability as refunds are significantly expected to be settled beyond 12 months.

10 Retirement savings fund

Prior to 2023, the Association credited 16.67% of the contributions made by a member to the retirement savings fund (RSF). Interest shall be credited at a rate to be determined by the BOT but in no case less than the prevailing savings account interest rate of the top three (3) commercial banks, provided the Association earns a net surplus at the end of reporting period. The RSF, inclusive of interest thereon, is payable upon termination of membership from the Association including, but not limited to, death or total and permanent disability, or upon reaching the termination age of 65 years old.

Movements in RSF as at December 31 follow:

	2025	2024
January 1	11,124,583	11,499,927
Refunds during the year	(1,170)	(430,690)
Interest expense	55,617	55,346
December 31	11,179,030	11,124,583

No interest is distributed to members in 2025 and 2024. As at December 31, 2025, the accumulated interest to be distributed to members amounts to P515,957 (2024 - P460,340).

Retirement savings fund is classified as a non-current liability, as membership terminations are significantly expected beyond 12 months.

11 Retirement benefit obligation

The Association has an unfunded, non-contributory defined retirement benefit plan covering all regular employees. Under the provisions of Republic Act No. 7641, retirement date is at age 60 and upon completion of at least five (5) years of credited service. At that date, employees are entitled to retirement pay equivalent to one-half month's salary for every year of service. The Association engaged an independent third party actuary to perform the retirement benefit obligation valuation. The third party actuary applied the Projected Unit Credit (PUC) method in the valuation of the retirement benefit obligation as December 31, 2024 and 2023.

The term "one-half month salary" includes the following:

- Fifteen-day salary;
- Cash equivalent of not more than 5 days of service incentive leaves; and
- One-twelfth of the 13th month pay (where the 13th month pay is the total basic salary for the last 12 months of the service divided by 12).

The retirement benefit amounts recognized as at and for the years ended December 31 are as follows:

	2025	2024
Statement of assets, liabilities and fund balance		
Retirement benefit obligation	835,987	850,991
Remeasurement gain on retirement benefit obligation	258,403	106,338
Statement of total comprehensive income		
Retirement benefit expense	137,061	128,418
Other comprehensive income	152,065	9,220

Retirement benefit expense is presented as part of general and administrative expenses in the statement of total comprehensive income (Note 14).

Remeasurement gain (loss) on retirement benefit obligation is presented as part of accumulated other comprehensive loss in the statement of assets, liabilities, and fund balance.

The movements in the retirement benefit obligation for the years ended December 31 are as follows:

	2025	2024
January 1	850,991	731,793
Retirement benefit expense		
Current service cost	85,236	83,705
Interest cost	51,825	44,713
Remeasurement gain	(152,065)	(9,220)
December 31	835,987	850,991

The movements in remeasurement gain recognized in accumulated other comprehensive income at December 31 follow:

	2025	2024
At January 1	106,338	97,118
Remeasurement		
Change in demographic assumptions	(28,872)	
Change in financial assumptions	54,682	(2,975)
Experience adjustments	126,255	12,195
At December 31	258,403	106,338

The principal actuarial assumptions used for the years ended December 31 are as follows:

	2025	2024
Discount rate	6.41%	6.09%
Future salary increases	5.00%	5.00%

Discount rate

The discount rate is determined by reference to market yields at the end of the reporting period based on high quality corporate bonds with currency and term similar to the estimated term of the benefit obligation. There is no deep market in high quality corporate bonds in the Philippines and therefore, the Association used as reference the yields on long-term Philippine Treasury Bonds and adjusted to reflect the term similar to the estimated term of the benefit obligation as determined by the actuary.

Future salary increases

This is the expected long-term average rate of salary increase taking into account inflation, seniority, promotion and other market factors. Salary increases comprise of the general inflationary increases plus a further increase for individual productivity, merit and promotion. The future salary increase rates are set by reference over the period over which benefits are expected to be paid.

Demographic assumptions

Assumptions regarding mortality experience are set based on published statistics and experience in the Philippines.

The retirement benefit plan typically exposes the Association to a number of risks such as interest rate risk and salary risk. The most significant risk relates to interest rate risk. A decrease in the government bond yields will increase the defined benefit obligation. Hence, the present value of retirement benefit obligation is directly affected by the discount rate to be applied by the Association.

The expected future retirement benefit payments as at December 31 are as follows:

	2025	2024
Less than 10 years	14,516	404,674
More than 10 years	9,762,237	10,019,134

The sensitivity of the retirement benefit obligation to changes in the weighted principal assumptions as at December 31 follows:

	Impact on retirement benefit obligation		
2025	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	+/- 1.0%	(154,341)	193,806
Salary increase rate	+/- 1.0%	192,937	(157,715)

	Impact on retirement benefit obligation		
2024	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	+/- 1.0%	(133,719)	167,256
Salary increase rate	+/- 1.0%	167,445	(136,807)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the retirement benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the retirement benefit obligation recognized within the statement of assets, liabilities and fund balance.

12 Contingent liability

The Association is subject to a regulatory matter involving a violation of certain provisions of the IC, which remains under evaluation as at December 31, 2025 and 2024.

The Association piloted its new insurance product in April 2022 and the same was approved by the IC in January 2023. As a result, the premiums received from and related claims paid to the members of the Association before the IC date of approval were presented as part of liabilities in the statements of assets, liabilities and fund balance (Note 7).

As at April 28, 2026, the Association awaits further advice on regulatory compliance matters and assessment fees, if any, from IC as the latter may decide at its discretion covering the period from the piloting of its new insurance product in April 2022 to IC’s approval in January 2023.

While an indicative exposure may be computed based on prevailing IC guidance, such amount is highly sensitive to regulatory discretion and underlying assumptions. Management has assessed that disclosing such amount would not provide reliable or decision-useful information and may give a false impression of precision. Accordingly, no amount has been disclosed, and no provision has been recognized.

If imposed based on the prevailing IC guidance, the penalty may be significant and could result in a breach of IC prescribed minimum capital and solvency requirements. The final outcome remains uncertain and may differ materially from current expectations.

13 Retained surplus

As at December 31, 2024, the Association has total appropriated amounting to P35,555,065. These appropriations are intended for the following purposes:

- Systems development and trainings;
- Guaranty fund as required by IC;
- Increment benefit to individual equity value;
- Other members' benefit related to system upgrade and office equipment acquisition;
- Community development for trainings and calamity;
- Education and training for members;
- Other members’ benefit related to medical assistance; and
- Community development for calamity

In 2025, the Association disbursed P4,397,200 for training and education support for the benefit of the members. Accordingly, the related appropriation was transferred to unappropriated retained surplus upon utilization for its intended purpose.

Management will continue to evaluate the need to declare dividends after considering the regulatory capital requirements of the IC on fixed capitalization and RBC requirements. Approval of the BOT will be requested as appropriate.

The amended Code provides that a mutual benefit association shall only maintain free and unassigned surplus of not more than twenty percent (20%) of its total liabilities as verified by the Insurance Commissioner. Excess amount shall be returned to the members by way of dividends, enhancing the equity value or providing benefits in kind and other relevant services. The Association deferred the related retained surplus appropriation until such time the regulatory matter with the IC is favorably resolved (Note 12).

14 General and administrative expenses

Details of the account for the years ended December 31 follow:

	Notes	2025	2024
Social and community service expenses		7,110,281	2,286,013
Professional fees		3,970,553	2,291,133
Salaries, wages and benefits		2,145,304	1,686,787
Utilities expense		1,085,191	1,588,193
Meetings and conferences		657,640	413,888
Rent expense		300,000	75,000
Interest expense	9	285,773	175,977
Depreciation	6	265,367	265,000
Retirement benefit expense	11	137,061	128,418
Repairs and maintenance		121,962	69,266
Penalties & Surcharges		121,052	175,000
Transportation and travel		112,938	1,532
Supplies		87,370	87,353
Taxes and licenses		69,687	254,672
Dues and subscriptions		-	-
Miscellaneous expense		1,374,743	2,382,344
		17,844,922	11,880,576

Social and community service expenses represent contributions made by the Association to affiliated outreach organizations. In 2025 and 2024, these primarily pertain to disbursements to related ministries for members’ benefits for education and training supports.

In 2025, miscellaneous expenses primarily pertain to medical fund disbursements and reimbursements, representing employee/member medical support provided by the Association. In 2024, these mainly included medical assistance extended to one of the Association’s staff amounting to P2,002,410.

15 Related ministry transactions

The table below summarizes the Association's transactions and balances with its related ministries.

As at and for the year ended December 31, 2025

	Transactions	Outstanding balances [Due from (to) related ministries]	Terms and conditions
Ministries under common control			
Unremitted collections [a]	63,362,835	24,377,596	- Unguaranteed and unsecured - Non-interest bearing - Collectible in cash at net amount
Collection fees [a]	6,013,874	-	- Unguaranteed and unsecured - Non-interest bearing - Payable in cash at net amount
Advances and transfers [b]	22,434,687	(12,486,554)	- Unguaranteed and unsecured - Non-interesting bearing - Payable in cash at net amount
Donations [c]	4,397,200	-	- Refer to Note 13
		11,891,042	

As at and for the year ended December 31, 2024

	Transactions	Outstanding balances [Due from (to) related ministries]	Terms and conditions
Ministries under common control			
Unremitted collections [a]	58,974,006	37,178,505	- Unguaranteed and unsecured - Non-interest bearing - Collectible in cash at net amount
Collection fees [a]	1,284,376	-	- Unguaranteed and unsecured - Non-interest bearing - Payable in cash at net amount
Advances and transfers [b]	27,740,216	(6,787,035)	- Unguaranteed and unsecured - Non-interesting bearing - Payable in cash at net amount
Donations [c]	130,628	-	-
		30,391,470	

(a) The Association's related ministries collect premium contributions from members on behalf of the Association and remit such to the latter at the end of every month. In consideration thereof, the Association pays the related ministries a fixed collection fee based on the total amount of collections.

(b) The related ministries pay the approved claims to the members on behalf of the Association upon approval of the Benefits Review Committee. The Association then makes advances and transfers to related ministries for working capital requirements and to pay approved claims due to members including fund for working capital.

(c) In 2025, the Association donated P4,397,200 to related ministries to support training and education programs. In 2024, the Association received donation and grants from its related ministries amounting to P130,628 which were intended to fund the relevant projects of Association's related ministries.

There is no key management compensation for 2025 and 2024.

The Association has assessed the outstanding receivables from related parties to be fully collectible within 12 months as at December 31, 2025 and 2024.

16 Fair value determination

Financial assets and liabilities not measured at fair value

The following table provides information about the fair values of the Association's financial assets and liabilities, which are not measured at fair value in the statement of assets, liabilities and fund balance.

	2025		2024	
	Carrying value	Fair value	Carrying value	Fair value
Assets				
Cash and cash equivalents	96,331,468	96,331,468	71,598,177	71,598,177
Short-term investment	27,006,494	27,006,494	20,738,295	20,026,724
Receivables	4,932,089	4,932,089	7,485,082	7,485,082
Due from related ministries	11,891,042	11,891,042	30,391,470	30,391,470
Guaranty fund				
Certificate of time deposit	-	-	3,513,575	3,513,575
HTM investment	21,835,110	21,900,099	14,709,620	14,586,082
	161,996,203	162,061,192	148,436,219	147,601,110
Liabilities				
Accrued expenses and other liabilities	4,936,837	4,936,837	4,699,454	4,699,454
Reserve for refund of members' equity	46,261,416	40,937,661	39,772,303	35,195,314
Retirement savings fund	11,179,030	11,556,210	11,124,583	11,499,927
	62,377,283	57,430,708	55,596,340	51,394,695

Accrued expenses and other liabilities exclude premium received in advance, advance members' contributions and payable to government agencies.

17 Insurance and financial risk management objectives and policies

The primary objective of the Association's financial risk management framework is to protect the Association's members from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities.

The Association recognizes the critical importance of having efficient and effective risk management systems in place. The Association has established a risk management function with reference from the Board of Trustees and its management. This is supplemented with a clear organizational structure. The Association also established a Benefits Review Committee (BRC), a body responsible to recommend the payment of benefits to the members.

The operations of the Association are subject to the regulatory requirements of the IC. The IC is primarily interested in protecting the rights of the members and in monitoring the Association closely to ensure that the Association is satisfactorily managing its affairs for its members' benefit. At the same time, the IC is also interested in ensuring that the Association maintains an appropriate solvency position to meet unforeseen liabilities arising from economic shocks or natural disasters.

17.1 Insurance risk

The principal risk the Association faces under insurance contracts is that the actual claims and benefit payments or timing thereof differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid that 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 main insurance risks the Association is exposed to are:

- Mortality risk - risk of loss arising due to member death experience being different than expected.
- Morbidity risk - risk of loss arising due to member health experience being different than expected.
- Longevity risk - risk of loss arising due to annuitant living longer than expected.
- Expense risk - risk of loss arising from returns being different from expected.
- Member decision risk - risk of loss arising due to member experiences being different than expected.

The Association's basic life insurance policy (BLIP), represented by Certificate of Membership (COM), entitles a member to life insurance with accidental death benefits, total and permanent disabilities, and dismemberment coverage. In 2023, the Association has also offered an optional benefit plan (CCT Sigurado) in addition to the revised BLIP (Note 1).

The increase in the overall frequency of claims is mainly due to widespread changes in lifestyle and pre-existing conditions of death, resulting in earlier or more claims than expected.

The Association manages its insurance risk by ensuring that it generates lasting returns from its financial assets, so that it will be able to fund its obligation arising from its insurance contracts. The Association also closely monitors its assets and liabilities to attempt to match the expected pattern of claim payments with the maturity dates of its assets.

The Association does not have significant exposure or any major concentration of risk to any member.

The Association's policy reserve is sensitive to death and health development experience of its members. The uncertainty in the estimation process is not possible to quantify. The Association considers it impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding these estimates. Management also believes that any reasonably possible changes in these assumptions would not have a significant effect on the policy reserve.

There are no significant sensitivities in the determination of IBNR and policy reserve as these are determined close to subsequent actual incurred claims and based on IC approved percentage of premium contribution, respectively.

17.2 Financial risk

The Association is exposed to a financial risk through its financial assets and financial liabilities. In particular, the key financial risk that the Association is exposed to is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance contracts.

Safety of the investment is the foremost objective of the investment program. Investment shall be undertaken in a manner that seeks to ensure preservation of capital in the overall portfolio. The Association does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The financial risks to which the Association is exposed to include credit risk, liquidity risk, and market risk.

17.2.1 Credit risk

Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Association.

The Association minimizes its credit risk by:

- limiting the investment to those allowed by the IC or as approved by the Insurance Commissioner;
- pre-qualifying the financial institutions, brokers/dealers, intermediaries, and advisers with which the Association will do business; and
- defining the membership requirements and verifying that the member has met satisfactorily the set requirements.

All active members of the Association shall be bound by its implementing rules and regulations from time of implementation.

The maximum credit risk exposure of the Association's financial assets at December 31, which is equal to the carrying amounts in the statement of assets, liabilities and fund balance, is shown below:

	Notes	2025	2024
Cash and cash equivalents (excluding cash on hand)	2	96,331,468	71,556,177
Short-term investment	3	27,006,494	20,738,295
Receivables	4	4,932,089	7,485,082
Due from related ministries	14	11,891,042	30,391,470
Guaranty fund	5		
HTM investment		21,835,110	14,709,620
Certificate of time deposit		-	3,513,575
		161,996,203	148,394,219

Cash in banks and short-term investment are held in banks that qualify as universal banks to minimize credit risk exposure. Universal banks, as defined by the Philippine Banking System, represent the largest single group, resource-wise, of financial institutions in the country that have good credit ratings.

Receivables pertain to receivables from members, employees and officers which are short-term and non-interest bearing. Contributions from members are collected on a weekly basis and a grace period of 45 days is provided to members in case of default in the weekly contributions. Advances to employees and officers are paid mainly through salary deduction in accordance with the Association's policy.

The Association does not perceive any significant credit risk exposure arising from related party transactions and balances. Due from related ministries consist of unremitted premium contributions from members collected by the related ministries on behalf of the Association (Note 15).

The certificate of time deposit component of guaranty fund is placed in a local bank with a good credit rating without any history of default. The Association's remaining investments pertain to debt securities issued by the Philippine government and have an average credit rating of stable investment grade (Baa2) by Moody's. The guaranty fund is established to comply with the requirement of the IC to answer for any valid claim of any of its members (Note 5).

All of the financial assets of the Association are fully performing and are neither past due nor impaired as at December 31, 2025 and 2024. No history of default or write-offs noted for both 2025 and 2024.

17.2.2 Liquidity risk

Liquidity risk is the risk that the Association is unable to meet its financial obligations when due.

Prudent liquidity risk management implies maintaining sufficient cash ensuring the availability of funding through an adequate amount of committed credit. This is important to ensure that the Association can meet all present and future financial obligations as they fall due and comply with contractual obligations.

The table below presents the maturity profile of the Association's financial assets and obligations based on undiscounted cash flows, which it uses to manage the inherent liquidity risk. The analysis into maturity groupings is after the reporting period and until contractual maturity date or, if earlier, the expected date the financial liability will be settled.

	2025		
	Up to 1 year	1 to 5 years	Total
Assets			
Cash and cash equivalents	96,331,468	-	96,331,468
Short-term investments	27,006,493	-	27,006,493
Receivables	4,932,089	-	4,932,089
Due from related ministries	11,891,042	-	11,891,042
Guaranty fund			
HTM investment	-	21,835,110	21,835,110
	140,161,092	21,835,110	161,996,202
Liabilities			
Accrued expenses and other liabilities*	35,035,302	-	37,424,016
Reserve for refund of member's equity	-	46,261,416	46,261,416
Retirement savings fund	-	11,179,030	11,179,030
	35,035,302	57,440,446	94,864,462

	2024		
	Up to 1 year	1 to 5 years	Total
Assets			
Cash and cash equivalents	71,598,177	-	71,598,177
Short-term investments	20,738,295	-	20,738,295
Receivables	7,485,082	-	7,485,082
Due from related ministries	30,391,470	-	30,391,470
Guaranty fund			
HTM investment	-	14,709,620	14,709,620
Certificate of time deposit	-	3,513,575	3,513,575
	130,213,024	18,223,195	148,436,219
Liabilities			
Accrued expenses and other liabilities*	34,797,919	-	34,797,919
Reserve for refund of member's equity	-	39,772,303	39,772,303
Retirement savings fund	-	11,124,583	11,124,583
	34,797,919	50,896,886	85,694,805

**Excluding advance members' contributions and payable to government agencies*

As at December 31, 2025 and 2024, management has reserve funds under time deposits classified as cash equivalents and short-term investments to meet contractual obligations when due and upon demand.

It is unusual for an association primarily transacting an insurance business to predict the requirements of funding with absolute certainty as the theory of probability is applied on insurance contracts to ascertain the likely provision and the time period when such liabilities will require settlement. The amounts and maturities in respect of insurance liabilities are thus based on management's best estimate based on statistical techniques and past experience.

17.2.3 Market risk

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate because of changes in market prices. Market risk includes foreign currency risk, interest rate and other price risks. The Association has no financial assets and liabilities that are exposed to foreign currency risk and other price risks since the Association does not have foreign currency denominated assets and liabilities and only holds cash in bank, time and short-term deposits, Philippine government treasury bills and certificate of time deposits.

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

The Association is not exposed to significant cash flow risks as its cash in bank, time and short-term deposits, investments in certificate of time deposits and government securities under guaranteed deposits have fixed interest rates and carried at amortized cost.

18 Capital management and regulatory requirements

The primary objective of the Association's capital management is to comply with the statutory requirements on Risk-Based Capital (RBC) for Mutual Benefit Associations (MBAs).

The Association manages its capital requirements by assessing shortfalls between reported and required capital levels on a regular basis. Adjustments to current capital levels are made in light of changes in economic conditions and risk characteristics of the Association's activities. In order to maintain or adjust the capital structure, the Association may adjust the amount of experience refund paid to members.

RBC requirements

The RBC ratio is used to measure the adequacy of the Association's statutory surplus in relation to the risks inherent in its business. The RBC method involves developing a risk-adjusted target level of statutory surplus by applying certain factors to various assets, premiums and reserve items. Higher factors are applied to more risky items and lower factors are applied to less risky items. The target level of statutory surplus varies not only as a result of the insurer's size, but also on the risk profile of the insurer's operations.

Every MBA is annually required to maintain a minimum RBC ratio of 125% and not fail the trend test. Failure to meet the minimum RBC ratio will trigger regulatory intervention by the IC. The RBC ratio of the MBA shall be calculated as members' equity divided by the RBC requirement. As provided by Insurance Memorandum Circular No. 11-2006 dated December 8, 2006, members' equity is defined as admitted assets minus all liabilities inclusive of actuarial reserves and other obligation under the policies and membership certificates.

The following table shows how the RBC ratio as at December 31 has been determined by the Association, subject to validation by the IC:

	2025	2024
Member's equity	61,091,141	19,661,487
RBC requirement	8,595,000	8,777,450
	779%	224%

As at December 31, 2025 and 2024, the Association has complied with the minimum RBC ratio.

The RBC ratio for 2024 has already been examined by the IC. The final amount of RBC ratio in 2025 can be determined only after the accounts of the Association have been examined by the IC in accordance with the Insurance Code.

19 Significant accounting estimates and judgments

The Association makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates, assumptions and judgments that 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.

19.1 Significant estimates

(a) The ultimate liability arising from claims made under insurance contracts (Note 8 and Note 17.1)

The estimation of the ultimate liability arising from claims made under insurance contracts is the Association's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Association will ultimately pay for such claims. The major uncertainties are the frequency of claims due to the contingencies covered and the timing of benefit payments.

With this, it is reasonably possible, based on existing knowledge, that the outcomes within the next financial year are different from assumptions and could require a material adjustment to the carrying amount of the liability affected including reserve for outstanding losses.

The uncertainty in the estimation process is not possible to quantify. The Association considers it impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding these estimates.

(b) Principal assumptions and estimation of retirement benefit (Note 11)

The present value of the retirement benefit obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining retirement benefit include the discount rate. Any changes in these assumptions will impact the carrying amount of retirement obligation.

The Association determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement benefit obligation. In determining the appropriate discount rate, the Association considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related retirement obligation.

Other key assumptions for retirement benefit obligation are based in part on current market conditions. Additional information is disclosed in Note 11.

19.2 Significant judgment

a) Recoverability of receivables (Note 4) and due from related ministries (Note 15)

In determining the recoverable amount of the Association's receivables and due from related ministries which are non-investment grade financial assets, management considers the historical experience of unexpected losses established for these receivables and due from related ministries based on the ageing analysis. In this case, management uses judgments based on the best available facts and circumstances, including but not limited to their payment history. An evaluation of the receivables and due from related ministries, designed to identify potential charges to the provision, is performed on a continuous basis throughout the year. If any such evidence exists, changes in those estimates and judgments could have a significant effect on the carrying value of receivables and due from related ministries and the amount and timing of recorded provision for any period.

No allowance for impairment is provided on receivables as the accounts are deemed to be fully collectible.

Due from related ministries is determined to be neither past due nor impaired. No amounts were written off as at December 31, 2025 and 2024. Thus, there is no required allowance for impairment.

b) *Classification of HTM investment (Note 5)*

The Association classifies non-derivative investments with fixed or determinable payments and fixed maturities as HTM investment. This classification requires significant judgment. In making this judgment, the Association evaluates its intention and ability to hold such investments to maturity. If the Association fails to keep these investments to maturity other than in certain specific circumstances (for example sales that are so close to maturity) it will be required to reclassify the entire portfolio as AFS financial assets. The investment would therefore be measured at fair value and not at amortized cost.

Management has assessed that it will be able to hold its HTM investment.

c) *Contingencies*

The Association is involved in various legal proceedings and assessments arising in the ordinary course of operations. Based on management's assessment, made in consultation with external legal counsel, the estimated probable costs of resolving these matters are not expected to have a material effect on the Association's financial position, except for the regulatory compliance matter disclosed in Note 12. However, future results of operations may be materially affected by changes in estimates or in the effectiveness of the strategies relating to these matters. Certain disclosures ordinarily required under PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, have not been provided as management believes that such disclosures may prejudice the outcome of the proceedings.

20 Summary of material accounting policies

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

20.1 Basis of preparation

The financial statements of the Association have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards. PFRS Accounting Standards comprise the following authoritative literature:

- PFRS Accounting Standards,
- PAS Standards, and
- Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), Philippine Interpretations Committee (PIC) and Standing Interpretations Committee (SIC) as approved by the Financial and Sustainability Reporting Standards Council (FSRSC) and the Board of Accountancy (BOA) and adopted by the SEC.

The preparation of financial statements in conformity with PFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Association's accounting policies. 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 19.

Changes in accounting policy and disclosures

(a) *Amendments to existing standards adopted by the Association effective January 1, 2025*

There are no other new standards, interpretations and amendments to existing standards effective January 1, 2025 that are considered to be relevant or have a material impact on the Association's financial statements.

(b) *New standard, interpretation and amendments not yet adopted*

Certain new accounting standards and amendments to accounting standards have been published that are not mandatory for December 31, 2025 reporting periods and have not been early adopted by the Association. The Association's assessment of the impact of these new standards and amendments is set out below:

- Amendments to PFRS 9 and PFRS 7, *'Classification and Measurement of Financial Instruments'*

  On May 30, 2024, the IASB issued targeted amendments to IFRS 9 and IFRS 7 to respond to recent questions arising in practice, and to include new requirements not only for financial institutions but also for corporate entities. In July 2024, the FSRSC adopted the targeted amendments to PFRS 9 and PFRS 7. These amendments:

  a. clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
  b. clarify and add further guidance for assessing whether a financial asset meets the solely payment of principal and interest (SPPI) criterion;
  c. add new disclosures for certain instruments with contractual terms that can change cashflows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and
  d. update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

  The amendments in (b) are most relevant to financial institutions, but the amendments in (a), (c) and (d) are relevant to all entities.

  The amendments to PFRS 9 and PFRS 7 will be effective for annual reporting periods beginning on or after January 1, 2026, with early application permitted subject to any endorsement process.

- PFRS 17, *'Insurance Contracts' (effective January 1, 2027)*

  PFRS 17 was issued in May 2018 as replacement for PFRS 4, Insurance Contracts. PFRS 17 represents a fundamental change in the accounting framework for insurance contracts requiring liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. It requires a current measurement model where estimates are re measured each reporting period.

  Contracts are measured using the building blocks of (1) discounted probability-weighted cash flows, (2) an explicit risk adjustment, and (3) a contractual service margin representing the unearned profit of the contract which is recognized as revenue over the coverage period. The standard allows a choice between recognizing changes in discount rates either in the income statement or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under PFRS 9, Financial instruments. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

  The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

On March 17, 2020, the IASB has decided to further defer the effective date of the standard to annual reporting periods beginning on or after January 1, 2025. Targeted amendments made in July 2020 aimed to ease the implementation of the standard by reducing implementation costs and making it easier for entities to explain the results from applying PFRS 17 to investors and others. Taking into consideration the implications of the pandemic, the IC recognizes that the insurance industry has to realign its priority programs and focus on modifying its business operations under a new normal.

The IC issued IC Circular Letter No. 2024-19 dated 17 October 2024, which defers the implementation of PFRS 17 for MBAs to annual periods beginning on or after 1 January 2030. Accordingly, the Association will continue to apply the currently applicable guidance until such time that PFRS 17 becomes effective for MBAs.

- Annual Improvements to PFRS Accounting Standards – Volume 11 (effective for annual periods beginning on or after 1 January 2026)

  On 18 July 2024, the IASB has issued narrow amendments to IFRS Accounting Standards and accompanying guidance as part of its regular maintenance of the Standards. These amendments include clarifications, simplifications, corrections and changes aimed at improving the consistency of several IFRS Accounting Standards. In August 2024, the FSRSC adopted these amendments. The amended Standards are:

  a. PFRS 1 First-time Adoption of International Financial Reporting Standards;
  b. PFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing PFRS 7;
  c. PFRS 9 Financial Instruments;
  d. PFRS 10 Consolidated Financial Statements; and
  e. PAS 7 Statement of Cash Flows.

- PFRS 18, *'Presentation and Disclosure in Financial Statements'*

  This is the new standard on presentation and disclosure in financial statements, which replaces PAS 1, with a focus on updates to the statement of profit or loss.

  The key new concepts introduced in PFRS 18 relate to:

  - the structure of the statement of profit or loss with defined subtotals;
  - requirement to determine the most useful structure summary for presenting expenses in the statement of profit or loss;
  - required disclosures in a single note within the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and
  - enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

  The Association is still evaluating the impact of the new standard.

The new standards and amendments are effective for annual reporting periods beginning on or after January 1, 2025, and must be applied retrospectively. The Association does not expect the amendments to have a significant impact to the Association's financial statements, except for PFRS 17 and 18.

There are no other standards, amendments to existing standards or interpretations effective subsequent to January 1, 2026 that are considered relevant or would be expected to have a material impact on the Association's financial statements.

20.2 Financial assets

20.2.1 Classification

The Association classifies its financial assets in the following categories: (a) loans and receivables and (b) held-to-maturity investments (HTM investment). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. The Association only hold financial assets classified as loans and receivables and HTM investment as at December 31, 2025 and 2024.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of being traded. The Association's loans and receivables comprise of cash and cash equivalents (Note 2), short-term investments (Note 3), receivables (Note 4), due from related ministries (Note 15) and guaranty fund to the extent of the time deposit placement (Note 5).

Cash and cash equivalents include cash on hand and deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less from the dates of acquisition.

Short-term investments pertain to time deposits in a local bank, which is readily available to fund the Association's operations.

Receivables include members' contributions due and uncollected, accrued income and advances to employees which are paid mainly through salary deduction.

Due from related ministries consist of unremitted premium contributions from members collected by the related ministries on behalf of the Association which are regularly remitted to the Association.

Guaranty fund pertains to time deposit placements with maturities of more than one year (considered as loans and receivables), which represent the Association's guaranty fund in compliance with the requirement of the IC.

HTM investment

HTM investment are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities which the Association's management has the positive intention and ability to hold to maturity. Where the Association sells other than an insignificant amount of HTM investment, the entire category would be tainted and reclassified as AFS financial assets.

20.2.2 Recognition and subsequent measurement

Initial recognition and measurement

Financial assets are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets.

Subsequent measurement

Financial assets at amortized cost are subsequently carried at amortized cost using the effective interest rate method.

HTM investment and loans and receivables are subsequently carried at amortized cost using the effective interest rate method.

20.2.3 Impairment

The Association assesses at each reporting date whether there is an objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is an objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Association first assesses whether an objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. If the Association determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

A provision for impairment is established when there is an objective evidence that the Association will not be able to collect all amounts due according to the original credit terms. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization and default or delinquency in payments are considered indicators that the financial asset is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is recognized in the statement of total comprehensive income. When a financial asset is uncollectible, it is written off against the allowance account. Such receivable is written off after all the necessary procedures have been completed and the amount of loss has been determined. If in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of reversal is recognized in the statement of total comprehensive income as a reduction of impairment losses for the year.

20.3 Financial liabilities

The Association's financial liabilities are limited to other financial liabilities at amortized cost as at reporting date. There are no financial liabilities at FVTPL (including financial liabilities held for trading and those that are designated at fair value).

The Association's other financial liabilities include accrued expenses and other liabilities (excluding premium received in advance, advance members' contributions and payable to government agencies) (Note 7), claims and benefits payable (Note 8), reserve for refund of members' equity (Note 9) and RSF (Note 10).

Accrued expenses and other liabilities include accruals for members equity value allocation and other expenses, advance members' contributions, and refunds to members made by the branches on behalf of the Association which are to be reimbursed from the latter upon completion of the necessary requirements.

Claims and benefit payable include claims on insurance contracts filed or reported to the Association but not yet paid and claims incurred but not yet reported as at reporting date.

Reserve for refund of members' equity represents at least 50% of the total gross life insurance contributions paid, as required under the amended Code.

RSF represents a portion of contributions made by the members relating to their retirement savings.

20.3.1 Recognition and subsequent measurement

Financial liabilities are initially measured at fair value plus transaction costs for all financial liabilities not carried at FVTPL. Financial liabilities are subsequently measured at amortized cost using the effective interest rate method.

20.4 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of assets, liabilities and fund balance when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Association or the counterparty.

20.5 Fair value measurement

The fair value of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use.

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfill an obligation.

The Association classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:
quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and,
inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.

For non-financial assets, the Association uses valuation techniques that are appropriate in the circumstances and applies the technique consistently. Commonly used valuation techniques are as follows:

Market approach - A valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) assets, liabilities or a group of assets and liabilities, such as a business.

Income approach - A valuation technique that convert future amounts (e.g., cash flows or income and expenses) to a single current (i.e., discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.
Cost approach - A valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

The fair values were determined in reference to observable market inputs reflecting orderly transactions, i.e. market listings, published broker quotes and transacted deals from similar and comparable assets, adjusted to determine the point within the range that is most representative of the fair value under current market conditions.

There are no other assets or liabilities subsequently measured at fair value or that would require disclosure of fair value hierarchy.

20.6 Property and equipment; Intangible asset-in-progress

Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes the purchase price and other expenditures that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The cost of replacing parts is added to the carrying amount of property and equipment when the replacement part is expected to provide incremental future benefits. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of total comprehensive income during the period in which they are incurred.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets ranging, as follows:

Computer equipment	1 to 5 years
Furniture and fixtures	1 to 5 years
Transportation equipment	1 to 5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal at which time the cost and the related accumulated depreciation and amortization are removed from the accounts. Any gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the statement of total comprehensive income.

Intangible asset-in -progress

Intangible asset-in-progress pertains to acquired insurance software capitalized on the basis of the costs incurred to acquire and bring to use the specific software. The capitalized costs represent probable future economic benefits associated with the item that will flow to the Association and can be reliably measured. Intangible assets under development are reclassified to software and amortization will commence at such time that the relevant assets are completed and are ready for intended use.

Software is carried at cost less any accumulated amortization and any accumulated impairment losses. Amortization is computed using the straight-line method over their estimated useful lives, which do not exceed five years. The amortization period and the amortization method for an intangible asset with a finite useful life start when the software is ready for use and are reviewed at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of the future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense is recognized in profit or loss.

Software is derecognized upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset is included in profit or loss in the year the asset is derecognized.

20.7 Impairment of non-financial assets

Assets that have definite useful lives, particularly property and equipment and intangible assets, are subject to depreciation and amortization, respectively, and are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of impairment at the end of each reporting period. Reversals of previously recorded impairment loss, if any, are credited to the statement of total comprehensive income.

20.8 Insurance contracts

Insurance contracts are defined as those contracts under which the Association accepts significant insurance risk from another party (the members) by agreeing to compensate the members if a specified uncertain future event (the insured event) adversely affects the member.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

20.9 Insurance contract liabilities

Life insurance contract liabilities are recognized when the contracts are entered into, and the premiums are recognized.

Legal policy reserve

Legal policy reserve represents the accumulated total liability for policies in force at the reporting date. Such reserves are established at amounts adequate to meet the estimated future obligations of all life insurance policies in force. The reserves are calculated using actuarial methods and assumptions as approved by the IC, subject to the liability adequacy test.

Insurance benefits and claims

Insurance benefit and claims are recorded when incurred. These are recorded when notices of claims have been received or when policies reach maturity. Unpaid claims, including IBNR claims, are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date. These costs pertain to estimates of the Association's obligations to the members where the Association has not yet received notification on. Delays can be experienced in the notification and settlement of claims, therefore the ultimate cost could not be known with certainty at the reporting date. The Association develops estimates for IBNR using services of an external actuary accredited by the IC. The actuarial models consider factors such as time from the date of service to claim receipt and claim backlogs. Each period, the Association re-examines previously established provisions for claims based on actual claim submissions and other changes in facts and circumstances.

20.10 Premium received in advance and advance members' contributions

Premium received in advance represents contributions received by the Association in excess of their contributions due and are classified as part of accrued expenses and other liabilities (Note 7).

Advance members' contributions pertain to contributions received from the insurance product offered by the Association not yet due as at reporting date. Advance members' contributions are reclassified to premium revenue when payments are due from the members over the coverage period of the policy contract.

20.11 Reserve for refund of members' equity

Reserve for refund of members' equity represents the amount of obligation set-up by the Association on membership certificates pertaining to 50% of the equity value, as required under the Insurance Code. Consequently, an allocation for liability on MEV is recognized in the statement of total comprehensive income.

The MEV earns interest of 0.50% per annum. Interest expense is charged to general and administrative expenses in the statement of total comprehensive income.

20.12 Retirement savings fund

Under the Association's old BLIP, a certain portion of the contribution received from a member represents the member's retirement savings in the Association. The RSF contribution shall not form part of the MEV.

The RSF earns interest rate of 0.50% per annum. Interest expense is charged to general and administrative expenses in the statement of total comprehensive income.

20.13 Retirement benefit obligation

The Association has an unfunded defined benefit plan following Republic Act No. 7641. A defined benefit plan is a pension plan under which the Association does not pay fixed contributions into a separate entity. Typically, defined benefit plans determine an amount of retirement benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the statement of assets, liabilities and fund balance in respect of defined benefit pension plan is the present value of the defined benefit obligation at the reporting date minus the fair value of plan assets. The defined benefit obligation is determined by discounting the estimated future payments by reference to market yields at the reporting date on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms of maturity approximating the terms of the related pension liability.

Actuarial gains and losses are recognized in other comprehensive income in the period in which they arise.

Past-service costs are recognized immediately in the Statement of Total Comprehensive Income.

20.14 Retained surplus

Retained surplus represents the cumulative balance of excess revenue over expenses. Unappropriated retained surplus represents that portion which is free and can be declared for distribution to the members. Appropriated retained surplus represents that portion which is restricted and therefore not available for members' distribution or for any refund declaration.

20.15 Revenue

Revenue is recognized to the extent that it is probable that economic benefits will flow to the entity and the amount of revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Members' premium contributions

Insurance premiums are recognized as revenue when they become due from members.

As at December 31, 2025, the premiums received on the policies sold to the members before the regulatory approval of the newly launched product is classified as part of liabilities in the statement of assets, liabilities and fund (Notes 1, 7 and 12).

Membership fees

Membership fees are recognized when cash is received from membership application.

Donations and grants

Donations and grants are recognized when actually received by the Association or when donors have entered into an enforceable agreement to contribute to the Association.

Interest income

Interest income is recognized on a time-proportion basis using the effective interest rate method.

20.16 Expenses

Cost and expenses are recognized in the statement of total comprehensive income when a decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Benefits and claims

Benefits and claims consist of benefits paid as insurance protection, and financial and material aid to members, as well as changes in the valuation of insurance contract liabilities. Death claims are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

An allocation for liability on MEV is recognized in the statement of total comprehensive income with a corresponding increase in reserve for refund of members' equity which is recognized in the statement of assets, liabilities and fund balance.

Collection fees paid to individuals and/or partner institutions for collection services are recognized upon rendering of service.

Other claims expenses are recognized when incurred. Membership enrollment and marketing expenses include member mobilization costs and expenses incurred on the production of policy forms and promotional materials, among others. Research and development expenses represent costs incurred for research - related activities such as conduct of impact assessments and satisfaction surveys for its existing products.

General and administrative expenses

Expenses are recognized in the statement of total comprehensive income when incurred.

20.17 Provision and contingencies

Provisions are recognized when the Association has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made with the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, an increase in provision due to the passage of time is recognized as an interest expense. When the Association expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount is estimable. The expense relating to any provision is presented in the statement of total comprehensive income, net of any reimbursement.

Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements, but disclosed when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements.

20.18 Related party transactions

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel or trustees. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Due from related ministries is recognized initially at fair value and measured subsequently at amortized cost using the effective interest rate method, less any provision for impairment. A provision for impairment of due from related ministries is established when there is an objective evidence that the Association will not be able to collect all amounts due according to the original terms of the receivable. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of loss is recognized in the statement of total comprehensive income. When the amount becomes uncollectible, it is written-off against the allowance account for receivables. Subsequent recoveries of amounts previously written-off are credited in the statement of total comprehensive income. Due from related ministries is derecognized when the Association receives payment from the related ministries.

Due to related ministries are initially recognized at fair value plus transaction costs and subsequently measured at amortized cost using the effective interest rate method. They are derecognized when, and only when, they are extinguished, i.e., when the obligation is discharged or is cancelled or expires.

Due from/to related ministries are settled net when there is a legally enforceable right to offset or as agreed by the ministries.

20.19 Subsequent events (or events after the 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 adjusting events that are non-adjusting events are disclosed in the notes to financial statements when material.

21 Supplementary information required by the Bureau of Internal Revenue (BIR)

RR 15-2010

Below is the supplementary information required by Revenue Regulations No. 15-2010. This information is presented for purposes of filing with the BIR and is not a required part of the basic financial statements. As part of its registration with the BIR (Note 1), the Association is exempted from payment of taxes from income derived by it.

i. Value-added taxes

The Association has no registered activities covered by value-added taxes.

ii. Local and national taxes

The Association's local and national taxes for the year ended December 31, 2025, which are presented as part of general and administrative expenses in the Statement of Total Comprehensive Income, follow:

	Amount
Business permits	25,250
License fees	5,985
Community tax	6,635
Others	2,386
	40,256

iii. Withholding taxes

Withholding taxes paid and accrued as at December 31, 2025 consist of:

	Paid	Accrued	Total
Withholding tax on compensation	158,549	-	158,549
Expanded withholding tax	98,770	4,242	103,012
	257,319	4,242	261,561

Withholding taxes payable is presented as part of accrued expenses and other liabilities under payable to government agencies in the Statement of Assets, Liabilities and Fund Balance.

iv. Tax assessments

Taxable years 2024, 2023 and 2022 are open tax years as at December 31, 2025. The Association did not receive any Final Assessment Notice from the BIR as at and for the year ended December 31, 2025.

v. Tax cases

The Association has no outstanding cases which are under preliminary investigation and/or prosecution in court or bodies outside the BIR as at and for the year ended December 31, 2025.

vi. Other information

All other information prescribed to be disclosed by the BIR has been included in this note.

RR 34-2020

On December 18, 2020, the BIR issued RR No. 34-2020, Prescribing the Guidelines and Procedures for the Submission of BIR Form No. 1709, Transfer Pricing Documentation (TPD) and other Supporting Documents, amending for this Purpose the Pertinent Provisions of RR No. 19-2020 and 21-2002, as amended by RR No. 15-2010, to streamline the guidelines and procedures for the submission of BIR Form 1709, TPD and other supporting documents providing safe harbors and materiality thresholds. Section 2 of the RR provides the list of taxpayers that are required to file and submit the RPT Form, together with the Annual Income Tax Return. Subsequently, the BIR issued Revenue Memorandum Circular (RMC) No. 54-2021 on April 27, 2021 which clarifies certain provisions of RR No. 34-2020.

The Association is not covered by the requirements and procedures for related party transactions provided under this RR as it is not required to file an RPT Form as clarified by RMC No. 54-2021.