www.pwc.com/ph

CCT Mutual Benefit Association, Inc.

(A non-stock, non-profit association)

Financial Statements
As at and for the years ended December 31, 2020 and 2019

Isla Lipana & Co.

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 Opinion

In our opinion, 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, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards ("PFRSs").

What we have audited

The financial statements of the Association comprise:

- the statements of assets, liabilities and fund balance as at December 31, 2020 and 2019;
- the statements of total comprehensive income for the years ended December 31, 2020 and 2019;
- the statements of changes in fund balance for the years ended December 31, 2020 and 2019;
- the statements of cash flows for the years ended December 31, 2020 and 2019; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for Opinion

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

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

Independence

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

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

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

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

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

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 PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Isla Lipana & Co.

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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.

John-John Patrick V. Lim
Partner
CPA Cert. No. 83389
P.T.R. No. 0007706, issued on January 5, 2021, Makati City
SEC A.N. (individual) as general auditors 1775 -A, Category A; effective until September 4, 2022
SEC A.N. (firm) as general auditors 0142-SEC, Category A; valid to audit 2020 to 2024 financial statements
TIN 112-071-386
BIR A.N. 08-000745-017-2018, issued on December 10, 2018; effective until December 9, 2021
BOA/PRC Reg. No. 0142, effective until January 21, 2023

Makati City
April 28, 2021

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

Statements of Assets, Liabilities and Fund Balance
As at December 31, 2020 and 2019
(All amounts in Philippine Peso)

	Notes	2020	2019
ASSETS			
Cash and cash equivalents	2	120,970,296	116,793,087
Short-term investments	3	28,388,399	10,049,001
Receivables	4	15,613,787	11,148,609
Due from related ministries	14	7,066,409	6,981,047
Guaranty deposit	5	13,309,614	9,796,039
Property and equipment, net	6	195,539	1,134,979
Other asset		257,034	257,034
Total assets		185,801,078	156,159,796
LIABILITIES AND FUND BALANCE			
Accrued expenses and other liabilities	7	15,346,747	13,613,647
Claims and benefits payable	8	409,000	411,740
Legal policy reserves	8	767,800	548,182
Reserve for refund of members' equity	9	78,984,268	64,024,162
Retirement savings fund	10	31,165,782	25,235,781
Retirement benefit obligation	11	990,076	627,840
Total liabilities		127,663,673	104,461,352
Retained surplus	12		
Appropriated		30,049,615	31,555,764
Unappropriated		28,741,515	20,549,040
		58,791,130	52,104,804
Accumulated other comprehensive losses	11	(653,725)	(406,360)
Total fund balance		58,137,405	51,698,444
Total liabilities and fund balance		185,801,078	156,159,796

(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, 2020 and 2019
(All amounts in Philippine Peso)

	Notes	2020	2019
REVENUES			
Members' premium contributions		39,609,101	50,193,927
Membership fees		1,262,630	3,594,160
Donations and grants		157,000	232,500
Interest income	2,3,5	1,605,008	2,459,453
Total revenues		42,633,739	56,480,040
BENEFITS AND CLAIMS EXPENSES			
Death and other policy benefits	8	7,794,378	7,428,585
Allocation for liability on members’ equity value	7,9	19,773,095	25,074,896
Collection fees	14	1,238,994	1,462,212
Membership enrollment and marketing		1,711,545	2,392,809
Research and development		-	17,675
Other members’ expenses		714,011	884,517
Total benefit and claims expenses		31,232,022	37,260,694
EXCESS OF REVENUE OVER BENEFITS AND CLAIMS EXPENSES		11,401,717	19,219,346
GENERAL AND ADMINISTRATIVE EXPENSES	13	4,715,391	5,699,433
EXCESS OF REVENUE OVER EXPENSES FOR THE YEAR		6,686,326	13,519,913
OTHER COMPREHENSIVE LOSSES			
Item that will not be reclassified to profit or loss			
Remeasurement losses on retirement benefit obligation	11	(247,365)	(169,458)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		6,438,961	13,350,455

(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, 2020 and 2019
(All amounts in Philippine Peso)

	Retained surplus (Note 12)			Accumulated other comprehensive losses	
	Appropriated	Unappropriated	Total	(Note 11)	Total
Balances at January 1, 2019	28,234,617	10,350,274	38,584,891	(236,902)	38,347,989
Comprehensive income					
Excess of revenue over expenses	-	13,519,913	13,519,913	-	13,519,913
Other comprehensive loss	-	-	-	(169,458)	(169,458)
Total comprehensive income for the year	-	13,519,913	13,519,913	(169,458)	13,350,455
Transactions with owners					
Appropriation of retained surplus	17,515,839	(17,515,839)	-	-	-
Release of appropriated surplus	(14,194,692)	14,194,692	-	-	-
Total transactions with owners	3,321,147	(3,321,147)	-	-	-
Balances at December 31, 2019	31,555,764	20,549,040	52,104,804	(406,360)	51,698,444
Comprehensive income					
Excess of revenue over expenses	-	6,686,326	6,686,326	-	6,686,326
Other comprehensive loss	-	-	-	(247,365)	(247,365)
Total comprehensive income for the year	-	6,686,326	6,686,326	(247,365)	6,438,961
Transactions with owners					
Appropriation of retained surplus	2,772,637	(2,772,637)	-	-	-
Release of appropriated surplus	(4,278,786)	4,278,785	-	-	-
Total transactions with owners	(1,506,149)	1,506,149	-	-	-
Balance at December 31, 2020	30,049,615	28,741,514	58,791,130	(653,725)	58,137,405

(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, 2020 and 2019
(All amounts in Philippine Peso)

	Notes	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess of revenue over expenses for the year		6,686,326	13,519,913
Adjustments for:			
Change in legal policy reserves	8	219,618	86,088
Change in incurred but not reported claims	8	(162,740)	(326,003)
Retirement benefit expense	11	114,871	82,050
Depreciation	6	272,237	217,034
Interest income	2,3,5	(1,605,008)	(2,459,453)
Interest expense	9,10	551,983	450,635
Excess of revenue over expenses before working capital changes		6,077,287	11,570,264
Changes in working capital			
Increases in:			
Receivables		(4,653,718)	(4,296,975)
Due from related ministries		(85,362)	(3,356,032)
Other asset			(257,034)
Increases in:			
Reserve for refund of members' equity		14,564,312	20,145,120
Retirement savings fund		5,773,812	8,038,758
Accrued expenses and other liabilities		2,483,100	6,893,070
Claims and benefits payable		160,000	-
Cash generated from operations		24,319,431	38,737,171
Interest received	2,3,5	1,793,548	2,459,453
Net cash from operating activities		26,112,979	41,196,624
CASH FLOW FROM INVESTING ACTIVITIES			
Increase in short-term investments	3	(18,339,398)	(10,049,001)
Acquisition of property and equipment	6	(82,797)	(1,108,003)
Deposit made for guaranty fund	5	(3,513,575)	(2,402,618)
Net cash used in investing activities		(21,935,770)	(13,559,622)
NET INCREASE IN CASH AND CASH EQUIVALENTS		4,177,209	27,637,002
CASH AND CASH EQUIVALENTS			
January 1		116,793,087	89,156,085
December 31	2	120,970,296	116,793,087

(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, 2020 and 2019
(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 a MBA, which is valid until December 31, 2021.

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.

On March 16, 2020, the Philippine Government declared the entire island of Luzon under an Enhance Community Quarantine (ECQ) due to the increasing coronavirus disease (COVID-19) cases in the country. The ECQ mandated the closure of non-essential business and strict home quarantine which resulted in the slowdown of the economy. Effective June 1, 2020, the National Capital Region shifted to a relaxed general community quarantine (GCQ), which allowed for the reopening of most businesses, although in reduced capacity and under strict health protocols. As such, the Association was unable to meet the member count it has initially targeted for 2020 due to reduced mobility in the branches and limited personal interaction. Despite all of the community restrictions, the Association remains steadfast and is able to extend God's promise of security to its new members in the communities that the Association serves.

The Association has closely monitored the direct and indirect effects of the coronavirus outbreak to its operations taking into consideration the existing conditions as at reporting date. The Association continues to take stock of the potential impact of existing and future regulations that may affect the continuing ability of the Association to deliver services to its members. As an association anchored on God's sovereignty and goodness, it is firm in its belief that the Lord will enable the Association to weather any material negative impact of the coronavirus to its future operations.

As at December 31, 2020, the Association has 6 employees (2019 - 8).

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

The accompanying financial statements were approved and authorized for issue on April 28, 2021 by the Association's Board of Trustees.

2 Cash and cash equivalents

Details of the account as at December 31 consists of:

	2020	2019
Cash on hand	20,000	22,000
Cash in banks	49,812,278	40,860,284
Time deposits	71,138,018	75,910,803
	120,970,296	116,793,087

Cash in banks earn interest at the prevailing bank deposit rates ranging from 0.10% to 0.25% per annum in 2020 and 2019. Interest income earned from cash in banks amounts to P127,457 for the year ended December 31, 2020 (2019 - P90,362).

Time deposits as at December 31, 2020 have an average maturity of 40 days (2019 - 73 days) and earn interest ranging from 0.64% to 0.375% (2019 - 2.50% to 6%). Interest income earned from time deposits amounts to P613,423 for the year ended December 31, 2020 (2019 - P1,915,073).

Cash and cash equivalents are classified as current assets.

3 Short-term investments

This account represents placements in time deposits amounting to P28.4 million at December 31, 2020 (2019 - P10.1 million) with a term of 95 to 180 days (2019 - 180 days) and earns interest at 0.72% per annum (2019 - 3.16%). For the year ended December 31, 2020, interest income earned from short-term investments amounts to P554,691 (2019 - P54,336).

Short-term investment is classified as a current asset.

4 Receivables

Details of the account at December 31 follow:

	2020	2019
Members' contributions due and uncollected	13,818,341	9,799,168
Accrued income	50,424	238,964
Advances and other receivables	1,745,022	1,110,477
	15,613,787	11,148,609

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.

Advances and other receivables mainly include advances to employees which are paid through salary deduction. Accrued income pertains to interest earned from time deposits which are yet to be received.

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 deposit

This account pertains to a five-year time deposit certificate placed in a local bank representing 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 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 shall reach twelve and a half percent (12.5%) of the required capital for domestic life insurance companies. The Association deposited P3,513,575 to the IC in 2020 (2019 - P2,402,618).

On April 26, 2021, the Association made further deposit of P2,772,637 to fully comply with the guaranty fund requirement of the IC.

As at December 31, 2020, guaranty deposit amounts to P13,309,614 (2019 - P9,796,039) and earns interest at the prevailing bank deposit rate per annum of 1.3125% (2019 - 3. 5 %). Interest income earned from guaranty fund amounts to P309,437 for the year ended December 31, 2020 (2019 - P399,682).

Guaranty deposit is classified as a non-current asset.

6 Property and equipment, net

Details of the account at December 31 follow:

	Computer equipment	Furniture and fixtures	Total
Cost			
At January 1, 2019	271,700	137,800	409,500
Additions	791,500	316,503	1,108,003
At December 31, 2019	1,063,200	454,303	1,517,503
Additions	51,200	31,597	82,797
Adjustment	(750,000)	-	(750,000)
At December 31, 2020	364,400	485,900	850,300
Accumulated depreciation			
At January 1, 2019	110,021	55,469	165,490
Depreciation	65,220	151,814	217,034
At December 31, 2019	175,241	207,283	382,524
Depreciation	96,936	175,301	272,237
At December 31, 2020	272,177	382,584	654,761
Net book value			
At December 31, 2019	887,959	247,020	1,134,979
At December 31, 2020	92,223	103,316	195,539

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

In 2020, the Association made an adjustment to the computer equipment costs following the discontinuance of the Association's system upgrade project.

7 Accrued expenses and other liabilities

Details of the account at December 31 follow:

	2020	2019
Accrued members' equity value allocation	6,909,171	4,899,584
Advance members' contributions	1,368,654	2,258,789
Accrued expenses	826,765	812,344
Payable to government agencies	38,586	52,200
Accrued collection fees	-	209
Other liabilities	6,203,571	5,590,521
	15,346,747	13,613,647

Accrued members' equity value allocation pertains to accrual of allocation for liability arising from members' due and uncollected premiums.

Advance member's contributions pertain to contributions received by the Association in advance from its members.

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 mainly pertain to 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.

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 reserves as at December 31 is as follows:

	Claims and benefits payable			Legal policy	
2020	Actual	IBNR	Total	reserves	Total
January 1	-	411,740	411,740	548,182	959,922
Claims expense/provision (reversal) during the year	7,737,500	(162,740)	7,574,760	219,618	7,794,378
Claims paid	(7,577,500)	-	(7,577,500)	-	(7,577,500)
December 31	160,000	249,000	409,000	767,800	1,176,800

	Claims and benefits payable			Legal policy	
2019	Actual	IBNR	Total	reserves	Total
January 1	-	737,743	737,743	462,094	1,199,837
Claims expense/provision (reversal) during the year	7,668,500	(326,003)	7,342,497	86,088	7,428,585
Claims paid	(7,668,500)	-	(7,668,500)	-	(7,668,500)
December 31	-	411,740	411,740	548,182	959,922

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 reserves

Legal policy reserves represent the total actuarial reserve for basic life benefit policies in force as at reporting date.

On December 28, 2016, pursuant to the 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.

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, as required under the amended Code. Interest shall be credited to the MEV annually at a rate to be determined by the Board of Trustees but in no case less than the prevailing savings account interest rate of the top three (3) commercial banks. 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 MEV as at December 31 follow:

	2020	2019
January 1	64,024,162	43,555,831
Contributions during the year	17,800,589	23,444,330
Refunds during the year	(3,236,277)	(3,299,210)
Interest expense	395,794	323,211
December 31	78,984,268	64,024,162

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

Reserve for refund of members' equity is classified as a non-current liability.

10 Retirement savings fund

A portion of the contributions made by a member is credited to the retirement savings fund (RSF). Interest shall be credited to the RSF at a rate to be determined by the Board of Trustees but in no case less than the prevailing savings deposit interest rate of the top three (3) commercial banks. 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:

	2020	2019
January 1	25,235,781	17,069,599
Contributions during the year	7,120,235	9,377,732
Refunds during the year	(1,346,423)	(1,338,974)
Interest expense	156,189	127,424
December 31	31,165,782	25,235,781

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

Retirement savings fund is classified as a non-current liability.

11 Retirement benefit obligation

Under the provisions of Republic Act No. 7641, retirement date is at age 60 and upon completion of at least 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 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:

	2020	2019
Statement of assets, liabilities and fund balance		
Retirement benefit obligation	990,076	627,840
Remeasurement losses on retirement benefit obligation	(653,725)	(406,360)
Statement of total comprehensive income		
Retirement benefit expense	114,871	82,050
Other comprehensive loss	(247,365)	(169,458)

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

Remeasurement losses on retirement benefit obligation is presented as part of accumulated other comprehensive income in the statement of statement of assets, liabilities, and fund balance.

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

	2020	2019
At January 1	627,840	376,332
Retirement benefit expense		
Current service cost	83,040	54,051
Interest cost	31,831	27,999
Remeasurement losses	247,365	169,458
At December 31	990,076	627,840

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

	2020	2019
At January 1	(406,360)	(236,902)
Remeasurement		
Change in financial assumptions	(198,481)	(131,026)
Experience adjustments	(48,884)	(38,432)
At December 31	(653,725)	(406,360)

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

	2020	2019
Discount rate	3.69%	5.07%
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:

	2020	2019
More than 10 years	6,103,082	6,423,575

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

	Impact on retirement benefit obligation		
2020	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	+/- 1.0%	(148,607)	178,157
Salary increase rate	+/- 1.0%	173,951	(148,200)

	Impact on retirement benefit obligation		
2019	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	+/- 1.0%	(99,772)	120,792
Salary increase rate	+/- 1.0%	119,657	(100,693)

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 Retained surplus

Beginning January 1, 2019, the appropriated retained surplus of the Association amounted to P28,234,617, which consists of various appropriations with the details shown below:

- P15 million for systems development and trainings until 2022;
- P5 million for the initial amount of guaranty fund;
- P2.4 million allocation for additional guaranty fund requirement for 2018 which will take effect in the 2nd quarter of 2019;
- P1.5 million increment benefit to individual equity value (equivalent to interest at 2.50%) beginning 2020 until 2022;
- P2.3 million other members' benefit related to system upgrade and office equipment acquisition which will take effect in the 3rd quarter of 2019; and
- P2 million community development for trainings and calamity which will take effect in the 2nd quarter of 2019.

In 2019, total appropriations made by the Association amounted to P17,515,839 with the details shown below:

- P2.3 million increment benefit to individual equity value (equivalent to interest at 2.50%) beginning 2020 until 2022;
- P3.5 million allocation for additional guaranty fund requirement for 2019 (Note 5) which will take effect in the 1st quarter of 2020;
- P2 million education and training for members which will take effect in 2020;
- P6.7 million other members' benefit related to medical assistance for the year 2020 and members' welfare beginning 2020; and
- P3 million community development for calamity beginning 2020.

As at December 31, 2020, the Association, upon approval of the Board of Trustees, made appropriation of P2,772,637 as an additional guaranty deposit for 2020 (Note 5) which will take effect in the second quarter of 2021.

In 2020, total releases from appropriated surplus aggregate P4,278,786 (2019 - P14,194,692).

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 Board of Trustees 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 is in compliance with this provision.

13 General and administrative expenses

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

	Notes	2020	2019
Professional fees		1,312,388	1,399,975
Salaries, wages and benefits		1,350,261	1,488,314
Interest expense	9,10	551,983	450,635
Utilities expense		297,570	341,093
Social and community service expenses		273,592	1,090,406
Depreciation	6	272,237	217,034
Retirement benefit expense	11	114,871	82,050
Meetings and conferences		111,982	173,958
Taxes and licenses		57,890	60,382
Supplies		50,585	88,446
Repairs and maintenance		10,976	73,332
Transportation and travel		22,166	17,181
Dues and subscriptions		-	25,000
Miscellaneous expense		288,890	191,627
		4,715,391	5,699,433

14 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, 2020

	Transactions	Outstanding balances [Due from (to) related ministries]	Terms and conditions
Ministries under common control			
Unremitted collections [a]	2,633,925	14,931,111	- Unguaranteed and unsecured - Non-interest bearing - Collectible in cash at net amount
Collection fees [a]	(1,238,994)	-	- Unguaranteed and unsecured - Non-interest bearing - Payable in cash at net amount
Advances [b]	(2,548,563)	(7,864,702)	- Unguaranteed and unsecured - Non-interest bearing - Payable in cash at net amount
		7,066,409	

As at and for the period ended December 31, 2019

	Transactions	Outstanding balances [Due from (to) related ministries]	Terms and conditions
Ministries under common control			
Unremitted collections [a]	3,791,086	12,297,186	- Unguaranteed and unsecured - Non-interest bearing - Collectible in cash at net amount
Collection fees [a]	(1,462,212)	-	- Unguaranteed and unsecured - Non-interest bearing - Payable in cash at net amount
Advances [b]	(1,667,517)	(5,316,139)	- Unguaranteed and unsecured - Non-interest bearing - Payable in cash at net amount
		6,981,047	

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 service fee based on the total amount of collections.

Likewise, the related ministries pay the approved claims to the members on behalf of the Association upon approval of the Benefits Review Committee.

b) The Association regularly makes advances to related ministries for working capital requirements.

c) There is no key management compensation for 2019 and 2018.

15 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.

	2020		2019	
	Carrying value	Fair value	Carrying value	Fair value
Assets				
Cash and cash equivalents	131,242,723	131,242,723	116,793,087	116,793,087
Short-term investment	18,115,972	18,115,972	10,049,001	10,049,001
Receivables	15,613,787	15,613,787	11,148,609	11,148,609
Due from related ministries	7,066,409	7,066,409	6,981,047	6,981,047
Guaranty deposit	13,309,614	13,309,614	9,796,039	9,796,039
	185,348,505	185,348,505	154,767,783	154,767,783
Liabilities				
Accrued expenses and other liabilities	15,308,161	15,308,161	13,561,447	13,561,447

Accrued expenses and other liabilities exclude payable to government agencies.

16 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.

16.1 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 theses 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.

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 on 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.

16.2 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 principal 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.

16.2.1 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:

	2020	2019
Cash and cash equivalents (excluding cash on hand)	131,222,723	116,771,087
Short-term investment	18,115,972	10,049,001
Receivables	15,613,787	11,148,609
Due from related ministries	7,066,409	6,981,047
Guaranty deposit	13,309,614	9,796,039
	185,328,505	154,745,783

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 and non-interest bearing advances which are collectible on demand (Note 14).

Guaranty deposit is placed in a local bank with a good credit rating without any history of default. The amount is established to comply with the guaranty fund requirement of the IC to answer for any valid claim of any of its members.

All of the financial assets of the Association are neither past due nor impaired as at December 31, 2020 and 2019. No history of default or write-offs noted for both 2020 and 2019.

16.2.2 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.

	2020		
	Up to 1 year	1 to 5 years	Total
Assets			
Cash and cash equivalents	131,242,723	-	131,242,723
Short-term investments	18,115,972	-	18,115,972
Receivables	15,613,787	-	15,613,787
Due from related ministries	7,066,409	-	7,066,409
Guaranty deposit	-	13,695,934	13,695,934
	172,038,891	13,695,934	185,734,825
Liabilities			
Accrued expenses and other liabilities*	15,308,161	-	15,308,161
Claims and benefits payable	409,000	-	409,000
Legal policy reserves	-	767,800	767,800
Reserve for refund of member's equity	-	79,379,189	79,379,189
Retirement savings fund	-	31,321,611	31,321,611
	15,717,161	110,917,850	126,635,011

**Excluding payable to government agencies amounting to P38,586*

	2019		
	Up to 1 year	1 to 5 years	Total
Assets			
Cash and cash equivalents	116,793,087	-	116,793,087
Short-term investments	10,049,001	-	10,049,001
Receivables	11,148,609	-	11,148,609
Due from related ministries	6,981,047	-	6,981,047
Guaranty deposit	-	10,127,352	10,127,352
	144,949,744	10,127,352	155,099,096
Liabilities			
Accrued expenses and other liabilities*	13,561,447	-	13,561,447
Claims and benefits payable	411,740	-	411,740
Legal policy reserves	-	548,182	548,182
Reserve for refund of member's equity	-	64,344,283	64,344,283
Retirement savings fund	-	25,361,960	25,361,960
	13,973,187	90,254,425	104,227,612

**Excluding payable to government agencies amounting to P52,200*

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.

16.2.3 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 market risk.

17 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 100% 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:

	2020	2019
Member's equity	35,101,358	33,069,231
RBC requirement	4,376,975	3,935,392
	802%	840%

As at December 31, 2019 and 2018, the Association has complied with the minimum RBC ratio.

18 Subsequent event

Corporate Recovery and Tax Incentives for Enterprises Act (CREATE)

On March 26, 2021, Republic Act (RA) No.11534, otherwise known as CREATE, was signed into law. Among the salient provisions of CREATE include changes to the Corporate Income Tax (CIT) rates as follows:

- Reduction of corporate income tax (CIT) rate to 20% applicable to domestic corporations with total net taxable income not exceeding P5,000,000 and with total assets not exceeding P100 Million (excluding land on which the business entity's office, plant and equipment are situated);
- Reduction of CIT rate to 25% shall be applicable to all other corporations subject to regular CIT; and,
- Minimum Corporate Income Tax (MCIT) rate shall also be amended to 1%, instead of 2%, for the period beginning July 1, 2020 until June 30, 2023.

Under CREATE, corporate taxpayers shall prepare their annual income tax return for the calendar year 2020 (CY2020) using the pro-rated CIT rate for CY2020 reckoned from July 1, 2020 (retrospective effect).

For financial reporting purposes, the enactment of CREATE after the reporting date is deemed a non-adjusting subsequent event. The new CIT rates would not have an impact on the December 31, 2020 financial statements of the Association as it is exempt from paying income taxes as set forth in Section 30 (C) of the National Internal Revenue 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)

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 asset or liability affected including reserve for outstanding losses.

The Association considers that it is impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding the ultimate liability arising from claims made under insurance contracts as the major uncertainties may differ significantly.

The carrying value of claims payable as at December 31, 2020 amounts to P409,000 (2019 - P411,740).
Legal policy reserves as at December 31, 2020 amount to P767,800 (2019 - P548,182).

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. Retirement benefit expense charged to general and administrative expenses in the statement of total comprehensive income amounts to P114,871 for the year ended December 31, 2020 (2019 - P82,050). The related carrying amount of retirement benefit obligation at December 31, 2020 amounts to P990,076 (2019 - P627,840).

19.2 Significant judgment

a) Recoverability of receivables (Note 4) and due from related ministries (Note 14)

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. As at December 31, 2020, receivables amount to P15,613,787 (2019 - P11,148,609).

Due from related ministries as at December 31, 2020 amounting to P7,066,409 (2019 - P6,981,047) are determined to be neither past due nor impaired. No amounts were written off as at December 31, 2020 and 2019.

20 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to 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 (PFRSs). The term PFRSs in general includes all applicable PFRSs, Philippine Accounting Standards (PASs) and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by the SEC.

These financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with PFRSs 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.

Revised standard chart of accounts (SCA)

On September 25, 2014, the IC issued Circular Letter No. 2014-41 presenting a revised SCA for MBAs. The revised SCA is in line with the requirements of SRC Rule 68, Section 189 of the amended Code, and current accounting standards in the Philippines.

Changes in accounting policy and disclosures

(a) Amendments to existing standards and the revised Conceptual Framework adopted by the Association

The Association has adopted the following amendments to existing standards and the revised Conceptual Framework effective January 1, 2020.

- Amendments to PAS 1, *'Presentation of Financial Statements'*, and PAS 8, *'Accounting Policies, Changes in Accounting Estimates and Errors'*

  The amendments clarify that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and; the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

  The adoption of the above amendments did not have a material impact on the financial statements of the Association as its materiality assessment is already made in the context of the financial statements as a whole.

- Adoption of the Revised Conceptual Framework for Financial Reporting

  The revised Framework includes the following changes:
  - increasing the prominence of stewardship in the objective of financial reporting
  - reinstating prudence as a component of neutrality
  - defining a reporting entity, which may be a legal entity, or a portion of an entity
  - revising the definitions of an asset and a liability
  - removing the probability threshold for recognition and adding guidance on derecognition
  - adding guidance on different measurement basis, and
  - stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

  No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from January 1, 2020.

  The adoption of the above revised framework did not have a material impact on the Association's financial statements as the accounting policies of the Association are still the same and appropriate under the revised framework.

(b) New and amended standards not yet effective and not yet adopted by the Association

- *PFRS 9 'Financial instruments' and its interaction with PFRS 4 'Insurance Contracts'*

  PFRS 9 replaces the multiple classification and measurement models for financial assets in PAS 39, *'Financial Instruments: Recognition and Measurement*,' with a single model that has three classification categories: amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVTPL). Classification under PFRS 9 is driven by the entity's business model for managing and holding the financial assets and whether the contractual characteristics of these financial assets represent solely payments of principal and interest (SPPI). Investments in equity instruments are required to be measured at FVTPL with the irrevocable option at inception to present changes in fair value in OCI for those equity instruments not for trading. The classification and measurement of financial liabilities under PFRS 9 remains the same as in PAS 39, except where an entity has chosen to measure a financial liability at FVTPL. For such liabilities, changes in fair value arising from changes in the entity's own credit risk are presented separately in OCI.

The impairment rules of PFRS 9 introduce an 'expected credit loss' model that replaces the 'incurred credit loss' model used in PAS 39. Such new impairment model will generally result in earlier recognition of losses compared to PAS 39.

The hedging rules of PFRS 9 better align hedge accounting with an entity's risk management strategies. Also, some of the prohibitions and rules in PAS 39 are removed or changed, making hedge accounting easier or less costly to achieve for many hedges.

In September 2016, 'Applying PFRS 9 Financial Instruments with PFRS 4, Insurance Contracts (Amendments to PFRS 4)' was issued, which provides optional relief to insurers meeting certain criteria from any adverse impact that may arise from the different effective dates of PFRS 9 and PFRS 17. The two options for entities that issue contracts within the scope of PFRS 4 permit an entity to either:

(1) reclassify from profit or loss to other comprehensive income some of the income or expenses arising from designated financial assets; referred to as the 'overlay approach', or
(2) for entities whose predominant activity is issuing contracts within the scope of PFRS 4, defer the application of PFRS 9 entirely; referred to as the 'deferral approach'.

The Association has opted to apply the deferral approach. Based on the requirements of the standard, the Association can elect to apply the deferral approach if it satisfies the following criteria:

- The Association has not previously applied any versions of PFRS 9; and,
- The Association's activities are predominantly connected with insurance at annual reporting date that immediately precedes April 1, 2016 i.e., December 31, 2015, based on the eligibility assessment that:
    i. the carrying amount of liabilities arising from contracts within the scope of PFRS 4 is greater than 90% of the total carrying amount of liabilities; or
    ii. the carrying amount of liabilities arising from contracts within the scope of PFRS 4 is less than 90% and the total carrying amount of liabilities connected with insurance is equal to or less than 90% but greater than 80% of total carrying amount of all its liabilities.

The Association has not applied any versions of PFRS 9. The Association also made an assessment of its activities at an annual reporting date before December 31, 2018 i.e., December 31, 2017, considering that it has only commenced with its operations in 2017. The Association has concluded that the carrying amount of its liabilities arising from contracts within the scope of PFRS 4 was significant compared to the total carrying amount of all its liabilities. The percentage of the total carrying amount of its liabilities connected with insurance contracts relative to the total carrying amount of all its liabilities as at December 31, 2017 is determined to be at 98%. Subsequent to this date, there has been no significant change in the Association's activities, which are predominantly connected with insurance contracts.

The following tables set out the fair value at December 31, 2020 and 2019 and the changes in fair values for the years ended December 31, 2020 and 2019, of financial assets separately for the following groups:

- Financial assets that meet the SPPI criteria in PFRS 9, excluding those financial assets that are defined as 'held-for-trading' or that are managed and evaluated on a fair value basis; and
- All other financial assets, including those assets that do not meet the SPPI criteria in PFRS 9 and those financial assets that are defined as 'held-for-trading' or that are managed and evaluated on a fair value basis.

Financial assets that meet the SPPI criteria in PFRS 9 are those whose cash flows comprise solely payments of principal and interest on principal outstanding (SPPI).

The fair value of financial instruments at December 31 classified between those that meet and those that fail the SPPI criterion are described as follows:

	2020			
	Financial assets that meet the SPPI criteria		All other financial assets	
	Fair value	Fair value change during the reporting period	Fair value	Fair value change during the reporting period
Cash and cash equivalents	131,242,723	-	-	-
Short-term investment	18,115,972			
Receivables	15,613,787	-	-	-
Due from related ministries	7,066,409	-	-	-
Guaranty deposit	13,309,614	-	-	-
	185,348,505	-	-	-

	2019			
	Financial assets that meet the SPPI criteria		All other financial assets	
	Fair value	Fair value change during the reporting period	Fair value	Fair value change during the reporting period
Cash and cash equivalents	116,793,087	-	-	-
Short-term investment	10,049,001	-	-	-
Receivables	11,148,609			
Due from related ministries	6,981,047	-	-	-
Guaranty deposit	9,796,039	-	-	-
	154,767,783	-	-	-

For financial assets as at December 31 that meet the SPPI criteria, the current carrying values measured in accordance with PAS 39 are analyzed in the following table by credit rating:

	2020			
	Neither past due nor impaired			
	Investment grade	Non-investment grade	Past due or impaired	Total
Cash and cash equivalents	131,242,723	-	-	131,242,723
Short-term investment	18,115,972	-	-	18,115,972
Receivables	-	15,613,787	-	15,613,787
Due from related ministries	-	7,066,409	-	7,066,409
Guaranty deposit	13,309,614	-	-	13,309,614
	162,668,309	22,680,196	-	185,348,505

	2019			
	Neither past due nor impaired			
	Investment grade	Non-investment grade	Past due or impaired	Total
Cash and cash equivalents	116,793,087	-	-	116,793,087
Short-term investment	10,049,001	-	-	10,049,001
Receivables	-	11,148,609	-	11,148,609
Due from related ministries	-	6,981,047	-	6,981,047
Guaranty deposit	9,796,039	-	-	9,796,039
	136,638,127	18,129,656	-	154,767,783

The fair values of financial assets included in the table above that are non-investment grade, and thus do not have low credit risk as of December 31, 2020 and 2019, approximately equal their respective carrying amounts.

- PFRS 17, '*Insurance Contracts*' (effective January 1, 2025)

  PFRS 17 was issued in May 2017 as a 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 ("CSM") 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. 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, 2023. 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 sees the need to support the insurance industry and hence, it delays full implementation of the standard to January 1, 2025, two (2) years after IASB's implementation in 2023.

  Management is currently reviewing the financial and operational impact of PFRS 17 to the Association.

The following amendments to existing standards are not mandatory for the December 31, 2020 reporting period and have not been early adopted by the Association:

- Amendments to PAS 1, *'Presentation of Financial Statements'*

  The amendments to PAS 1 clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant).

- PAS 37, *'Provisions, Contingent Liabilities and Contingent Assets'*

  The amendment clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling the contracts. Before recognizing a separate provision for an onerous contract, the entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract.

- Annual Improvements to PFRS Standards 2018-2020

  The following improvements were finalized in May 2020:
  i. PFRS 9, *'Financial Instruments'*, clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
  ii. PFRS 16, *'Leases'*, amendment to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.

The adoption of the above amendments is not expected to have a material impact on the financial statements of the Association.

There are no other standards, amendments, or interpretations that are effective beginning on or after January 1, 2021 that 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) at FVTPL, (b) loans and receivables, (c) held-to-maturity investments and (d) available-for-sale securities. 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 as at December 31, 2020 and 2019.

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 14) and guaranty deposit (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.

Guaranty deposit pertains to time deposit placements with maturities of more than one year, which represents the Association's guaranty fund in compliance with the requirement of the IC.

20.2.2 Recognition and measurement

Initial recognition and measurement

Regular-way purchases and sales of financial assets are recognized on trade-date - the date on which the Association commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at FVTPL. Financial assets carried at FVTPL are initially recognized at fair value; and transaction costs are recognized in the statement of total comprehensive income.

Subsequent measurement

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 asset is impaired. A financial asset or a group of financial asset 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.

20.2.4 Derecognition

A financial asset is derecognized when the contractual right to receive the cash flows from the asset has ceased to exist or the asset has been transferred and substantially all the risks and rewards of ownership of the asset are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Association tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition).

20.3 Financial liabilities

The Association's financial liabilities are limited to other financial liabilities at amortized cost as at December 31, 2020 and 2019. 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 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 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.

20.3.2 Derecognition

Financial liabilities are derecognized when extinguished.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value 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.

20.6 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

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.

20.7 Impairment of non-financial assets

Assets that have definite useful lives, particularly property and equipment, are subject to depreciation 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 reserves

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.

Liability adequacy test

At each reporting date, a liability adequacy test is performed for the insurance contract liabilities. In performing this test, current best estimates of future cash flows and claims handling and administration expenses, as well as investment income from the asset backing such liabilities are used. Any deficiency is immediately charged against current operations.

Long-term insurance contracts are measured based on assumptions set out at the inception of the contract. When the liability adequacy test requires the adoption of new best estimates assumptions, such assumptions (without margins for adverse deviation) are used for the subsequent measurement of these liabilities.

Liabilities for future policy benefits on in-force policies have been computed based on methods and assumptions that are in accordance with generally accepted actuarial principles. Changes in the balance of legal policy reserves at each reporting date are charged to the statement of total comprehensive income.

20.10 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.

20.11 Retirement savings fund

Under the Association's 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.

20.12 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.

20.13 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.

20.14 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.

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.

20.15 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.

20.16 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.

20.17 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.

20.18 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)

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, 2020 , which are presented as part of general and administrative expenses in the statement of total comprehensive income, follow:

	Amount
License fees	46,020
Business permits	9,170
Others	2,700
	57,890

iii. Withholding taxes

Withholding taxes paid and accrued as at December 31, 2019 consist of:

	Paid	Accrued	Total
Withholding tax on compensation	151,837	13,138	164,975
Expanded withholding tax	35,499	6,000	41,499
	187,336	19,138	206,474

Withholding taxes payable is presented as part of accrued expenses and other liabilities in the statement of assets, liabilities and fund balance.

iv. Tax assessments

Taxable years 2017, 2018 and 2019 are open tax years as at December 31, 2020. The Association did not receive any Final Assessment Notice from the BIR as at and for the year ended December 31, 2019.

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, 2020.

vi. Other information

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