KASAGANA-KA Mutual Benefit Association, Inc.

ANNUAL REPORT
2018

CONTENTS

MESSAGE FROM THE BOARD CHAIRPERSON

2018 was, in many ways, a year of building up our initiatives and prior year's successes. I am pleased to say that KMBA members and the management, with the help of our partners, have been working together to bring the Association to greater heights.

In the midst of the steady increase in our basic life insurance coverage over the years, we wanted to give our members better benefits and encourage more individuals to secure a similar protection for their families. Thus, we obtained the Insurance Commission's approval for the enhanced features of our Basic Life Insurance Product (BLIP). This contributed to the 9.4% growth of our basic life insurance coverage, which now covers 50,742 members or 203,000 individuals insured.

Listening to the needs of our members and learning from best practices, KMBA developed its own Hospitalization Income Insurance Plan (HIIP). This new insurance product has also received the stamp of approval of the Commission and is ready for roll-out this 2019.

KMBA's five-storey mixed-use building is mid-way through its construction schedule by the end of 2018. Based on feasibility studies, this property investment is expected to give the Association reasonable returns in the foreseeable future. Beyond that, this building is a monument to the collective aspiration of the members of KMBA to extend mutual assistance to one another. Soon, we can all call this building our new home.

Our achievements rest on our good governance practices, which once again earned recognition from the Insurance Commission. In 2018, KMBA was awarded as among the top five mutual benefit associations in the 2018 ASEAN Corporate Governance Scorecard Assessment by the Institute of Corporate Directors.

These and the rest of our accomplishments are featured in this 2018 KMBA Annual Report. I am confident that the next set of KMBA officers will continue to build on these programs and initiatives and deliver quality products and services that KMBA is known for.

Isabel M. Iliw-iliw
Chairperson, Board of Trustees

MESSAGE FROM THE GENERAL MANAGER

It gives me so much pleasure to present to the KMBA membership this 2018 Annual Report.

Among its highlights, last year, with faithful adherence to our one-day claim settlement policy, we were able to disburse a total of P10.3Million for 483 BLIP and 182 CLIP claims. Also, we exceeded our 15,000 target enrolment in the K-Kalinga policy, with 17,022 policy-holders and assisted 82 of them, with claims for accidental death claims and fire assistance. Understanding the necessity of fire insurance coverage, we were able to successfully negotiate from partner Bankers Assurance Corporation double the amount of fire assistance benefits, with the same P50 premium payment per unit. Moreover, K-Bente group policy continues to cover all KMBA members and their dependents.

KMBA has been undertaking systems improvement, with KMBA KOINS now operational and systems maintenance ongoing. We also pursue continuing leadership and professional development for officers and staff alike. Together, these efforts are expected to significantly contribute to the Association's operational efficiency.

We likewise maintain our active role within our networks, both local and international. KMBA, through its general manager, has taken a leadership post in the MiMAP Board. We work concertedly to advance governmental policies for the benefit of the MBA sector as a whole.

Rest assured that the KMBA management remain committed to the Association's objectives and shall carry out our duties with our good governance and accountability principles as our guide.

Mabuhay ang KMBA!

Silvida Reyes-Antiquerra
General Manager

OUR ASSOCIATION

Mission, Vision and Objectives

Organized in May 2006, KMBA is a non-stock, not-for-profit organization owned and managed by its members. It is a sister organization of the KASAGANA-KA Development Center, Inc. (KDCI), a social development, non-government organization using microfinance as its major strategy for empowerment and financial education. KDCI's client-beneficiaries and staff members constitute KMBA's primary members. KMBA also offers associate membership to client-beneficiaries of its partner microfinance organizations and other organized sectors. KMBA's members and clients are from the urban poor sector, majority of which are women.

To confirm, with formality, the following Mission, Vision and Goals of the association was presented to the Board of Trustees during its first regular meeting for its perusal. Thereafter, the Board unanimously approved and affirm its adoption as the association's Mission, Vision and Goals.

MISSION AND VISION

During the annual review by the KMBA Board of Trustees (BoT), in accordance with the requirements of the ASEAN Corporate Governance Scorecard (ACGS), the following vision and mission statements were found to be acceptable, and were thus re-adopted by the association's trustees:

KMBA envisions a self-reliant and self-sustaining mutual benefit association that actively and appropriately responds to financial risk management needs of poor Filipino families. Its mission is to provide microinsurance products and services for the poorest Filipino families.

In line with such vision and mission, KMBA further commits itself to:

- Promote basic life insurance that broadens the poor's safety net;
- Engage in various socially-oriented activities that render some assistance to members in terms of their security needs;
- Develop cost effective mechanisms for the delivery of microinsurance products to the association's targeted

beneficiaries.

ASSOCIATION'S OBJECTIVES

KMBA's Board of Trustees considered 2018 as a more fruitful year for the association. The organization aimed to achieve the following in 2018:

1. Continuous enhancement of KMBA systems development and maintenance of KOINS in preparation for BIR registration.

2. Improved reach and overall stability through continued expansion of membership by 12% by year end or 55,000 total 30% increased coverage of associate members;

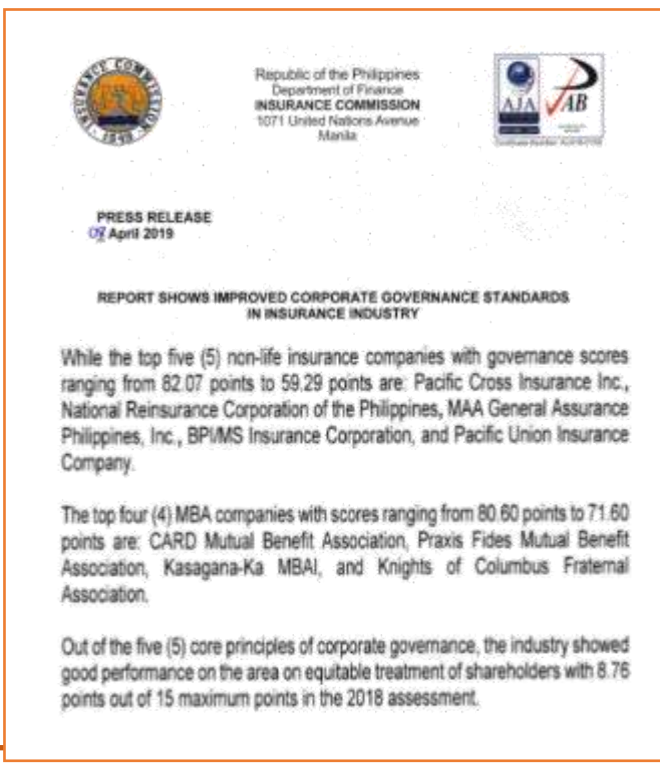
3. Improved KMBA services, with 15,000 enrollees in K-Kalinga, 100 Kuya Jun scholars, and 66 allocated slots for calamity assistance or Php 3,000.00 for every affected family;

4. Enhanced operational efficiency and increased investment through the construction of 5 storey mixed-use building at No. 5 Matimpiin St. Brgy. Pinyahan, Quezon City;

5. Active participation in Mi-MBA networks in both national and international approach;

6. Strengthened leadership competencies of KMBA's staff and BoT members by providing at least ten (10) mandatory training and other training opportunities related to capacity development; and

7. Secure IC approval of Hospital Income Insurance Plan (HIIP) as KMBA's new product and the enhancement of existing Basic Life Insurance Plan (BLIP).



Republic of the Philippines
Department of Finance
INSURANCE COMMISSION
1071 United Nations Avenue
Manila

PRESS RELEASE
09 April 2019

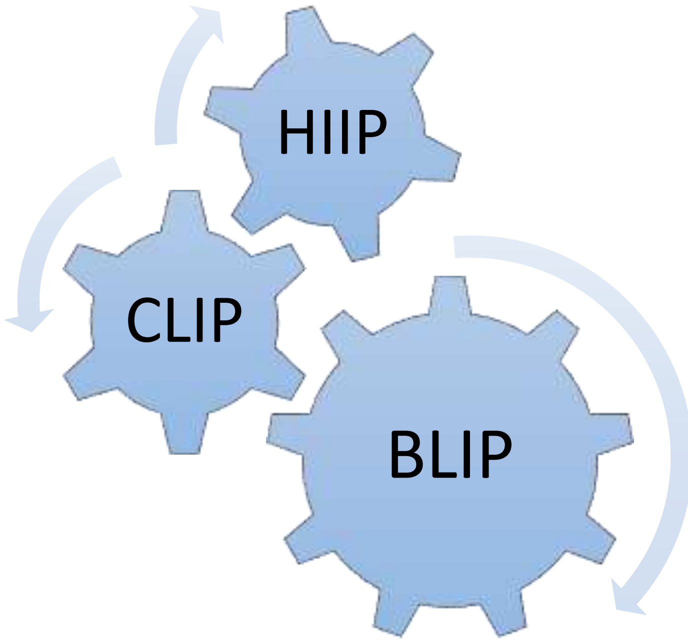
REPORT SHOWS IMPROVED CORPORATE GOVERNANCE STANDARDS IN INSURANCE INDUSTRY

While the top five (5) non-life insurance companies with governance scores ranging from 82.07 points to 59.29 points are: Pacific Cross Insurance Inc., National Reinsurance Corporation of the Philippines, MAA General Assurance Philippines, Inc., BPI/MS Insurance Corporation, and Pacific Union Insurance Company.

The top four (4) MBA companies with scores ranging from 80.60 points to 71.60 points are: CARD Mutual Benefit Association, Praxis Fides Mutual Benefit Association, Kasagana-Ka MBAI, and Knights of Columbus Fraternal Association.

Out of the five (5) core principles of corporate governance, the industry showed good performance on the area on equitable treatment of shareholders with 8.76 points out of 15 maximum points in the 2018 assessment.

OUR PRODUCTS



Basic Life Insurance Plan (BLIP)

This is provided to all client-beneficiaries and staff members of KDCI, as well as to client-beneficiaries of KMBA's partner microfinance institutions and community or basic sector groups. Members contribute Php 20 per week (Php 15 for the insurance premium, and Php 5 for the retirement savings fund). KMBA processes benefit claims using a 1-3-5 day target.

Credit Life Insurance Plan (CLIP)

This insurance coverage is offered to KMBA's partner organizations, and allows the latter to insure its own individual borrowers or debtors for an amount equal to the loan granted (up to a maximum of Php 200,000).

Hospital Income Insurance Plan (HIIP)

This insurance plan is a hospital confinement benefit of a daily cash allowance paid for the number of days the member is unable to work due to bodily injury or sickness which requires hospital confinement.

OUR SERVICES

Kalinga

This is a personal accident insurance with fire assistance designed specifically for non-KMBA members, made available to KMBA's associate members and to their relatives and fellow community members who are in need of such insurance coverage. This KMBA product is being provided in partnership with the Bankers Assurance Corporation (BAC).

Calamity Assistance

Formerly implemented through SICAT – a non stock, not-for-profit aggrupation of mutual benefit associations within the network of the RIMANSI Organization for Asia and the Pacific, Inc. – this post-emergency housing assistance has been adopted by KMBA is now being fully provided by the association to all insured members. A maximum amount of Php 3,000 may be given to covered member with totally damaged house following a natural or man-made disaster (e.g., typhoon, flooding, earthquake, fire, tsunami, volcanic eruption, tsunami, lightning strikes, and terrorism).

K-Bente

This service, in partnership with Sun Life Grepa Financial Inc., is a Php20-a-year plan which provides benefit for natural or accidental death.

Kuya Jun Scholarship Program

This scholarship program for children of KMBA members began soon after KMBA's establishment. The program's name comes from the first executive director of KDCI, Severiano C. Marcelo Jr., who passed away in 2008. The program is open to high school and college students. All applicants have to pass a qualifying exam, and a background check. To keep their scholarships, high school beneficiaries should get a grade average of 82%, while college students should obtain 2.5 or its equivalent (with no failing marks and two grades of incomplete in their enrolled subjects).

With some financial support from the Citi Foundation, received through the RIMANSI, KMBA reviewed and enhanced its basic life insurance pro-duct during the year to meet members' needs. The enhanced BLIP pro-posal provided for two (2) additional children as dependents, and a 12-hour Motor Vehicle Accident Hospitalization (MVAH) coverage feature. KMBA has already submitted said proposal to the Insurance Commission and is waiting the latter's final approval prior to the product's roll out.

ACCOMPLISHMENTS FOR 2018

Financial Performance

KMBA's assets grew by 11% from its 2017 level, and has reached close to P210 million at the close of 2018. Although there was a 14% increase in liabilities, KMBA ended 2018 with a 5% rise in its fund balance.

The official numbers show a 48.66% reduction in net income compared to the level in 2017. It is noted, however, that in 2017, the Insurance Commission (IC) authorized the reclassification of Php8,203,784.00 from reserve liability to income. Said amount pertained to accumulated equity value of members who resigned with less than three years of membership. Prior to the 2018 amendment of KMBA BLIP Implementing Rules Regulations, a member shall be entitled to an equity value equivalent to at least 50% of total membership dues/contribution collected from him/her only after three (3) full years of continuous membership.

With high liquidity ratio of about 349%, compared to IC standard of 100%-120%, KMBA has more than enough cash and cash equivalents to pay claims and meet current obligations. In managing its high liquidity ratio, the Association intends to expand its investment on real property and hope to earn more through rental income. In terms of margin of solvency, the Association has sufficient admitted assets to cover all liabilities, including claims of members, after satisfying the minimum margin of solvency requirement – the Guaranty Fund.

"KMBA performed well financially in 2018 with its total premium increasing by approximately Php 2.5Million (or 37%) from its 2017 level of around Php 6.9Million.

Overall, KMBA had a strong financial performance in 2018.

TABLE NO.1 FINANCIAL HIGHLIGHTS (2017-2018)

PARTICULAR	2018	2017	(↑↓)
Assets	P 209, 248,508	P 189,497,238	↑11.00%
Liabilities (50% Reserves & RF)	P 135,155,314	P 118,613,286	↑ 14.00%
Fund Balance (Guaranty Fund + Unassigned Surplus + Net Surplus)	P 74,093,194	P 70,883,952	↑ 5.00%
Net Income	P 7,257,405	P14, 136,285	↓-48.66%
Members' Contribution	P 35,916,179	P 33,454,999	↑ 7.00%
Premium	P 9,493,697	P 6,947,984	↑ 37.00%

PARTICULAR	2018	2017	%
Operating Expense	20.68%	21.00%	-0.02%
Liquidity Ratio	348.63%	556.94%	-37.00%
Margin of Solvency	139.00%	144.50%	-4.00%

Membership

The number of policy in force by end of 2018 is 50,742, covering 203,000 insured individuals. This is higher by 4% from that of 2017. There were 134 members who reached the exit age last year. Of them, 117 placed their retirement benefits under the Golden-K Fund, while the remaining 17 received the cash amount of their benefits. In all, KMBA released a total of Php 800,820.67 in benefits

due to retirement.

Associate members comprise 27% of total membership, while the majority 73% still come from members of sister organization KASAGANA-KA Cooperative (K-Coop). KMBA maintains good relations with its consortium partners through constant communication and periodic monitoring visits.

Last year, KMBA met with the leaders of Save the Children in Cebu to introduce the association and discuss how the former's insurance products may be of benefit to the parents of the latter's scholars. KMBA now awaits the decision of the Cebu-based organization.

TABLE NO.2 KMBA MEMBERS

GROUP	NUMBER	%
K-Coop	37,120	73.16%
CAPS-R, Inc.	12,291	24.22%
JVOFI and other groups	1,331	2.62%
TOTAL	50,742	100.00%

Claims

In 2018, KMBA assisted 483 beneficiaries, who filed BLIP claims. This translated to P8.5 million in total disbursements. The Association strives to adhere to its one-day claim settlement policy, with around 98% of all claims settled within a day.

In the aggregate, total number of claims from 2006 to present is now at 3,245, and total disbursements for the same period now reaching P45.613 million.

TABLE NO.3 TOTAL CLAIMS FOR THE YEAR 2018

PERIOD	NUMBER OF CLAIMS	AMOUNT OF CLAIMS DISBURSEMENT
2006-2018	3,245	Php 45.613M
2018	843	Php 8.500M

Products and Services

As with prior years, KMBA, in 2018, pursued its continuing product and service development and enhancements. Where possible, negotiations with partners were undertaken to improve the benefits of the products they offer to KMBA members.

BASIC LIFE INSURANCE PLAN

On February 27, 2018, KMBA obtained the Insurance Commission's approval of the enhancements in the BLIP. Among these improved features and benefits are:

- Grant of P10,000 benefits for MVAH after 12 hours of confinement, from the previous 24 hours
- Return of 50% of the equity value, plus interests, upon termination of membership, regardless of the period of membership
- Lengthening the grace period within which to update premium payment, from the previous 31 days to 45 days
- Provision of natural death benefits to members who committed suicide, if s/he has been a member for one year, from the previous policy requirement of two-year membership

Subsequently, on July 12, 2018, the Commission granted approval on the Hospitalization Income Insurance Plan (HIIP), KMBA's newest product offering. Under the HIIP, a member who is hospitalized is entitled to receive P200.00 for every day of confinement, for a maximum of 30 days. This gives the family of an insured member a stream of income during the period of confinement.

CREDIT LIFE INSURANCE PLAN

CLIP covered 130,273 loans for the year. This included all loans approved by K-Coop, save those under the K-Kalusugan and K-Benepisyo windows. As to consortium partners, CAPS-R, Inc. implements a 100% coverage for all loans, under the KMBA CLIP. JVOFI, on the other hand, has a similar policy, but with a commercial insurance company.

Premium collections increased by 35.79% from its 2017 level, amounting to Php9,474,336.14. On the other hand, claims against the CLIP reached 182, necessitating the disbursement of Php1,844,000.00. This translated to a claims-to-premium ratio of 19.46%.

TABLE NO. 4 CLIP STATUS

PARTICULAR	2018	2017
Number of loans covered by CLIP	130 273	99 549
Premium collected	P 9,493,697	P 6,947,984

Number of claims	182	151
Amount of claims	P1,844,000	P1,405,665.45
Claims ratio	19.42%	20.00%

CALAMITY ASSISTANCE

As planned, KMBA allocated P200,000 to aid families of members who may be stricken by calamity during the year. 2018, however, proved to be trying to some of our members whose properties were devastated by fire or typhoon. As a result, the Board of Trustees approved the release of a total of Php501,391.57 for 85 claims for calamity assistance.

Based on actual 2018 numbers, KMBA has allotted P500,000 for calamity assistance programs in 2019.

KUYA JUN SCHOLARSHIP PROGRAM

Consistent with its target, KMBA extended financial assistance to 41 college scholars, who received Php5,000 per semester, and 60 high school scholars, who were given Php3,000 per annum. A total of Php590,000 in assistance was awarded to the scholars. To familiarize the parent-member and the scholar on the scholarship program, an orientation session was held in June 2018 ahead of the release of the allowance.

KMBA looks forward to increasing the number of high school scholars to 90 this 2019, thereby expanding the scholarship program to cover 130 scholars.

K-KALINGA

Once again, enrolment under the K-Kalinga exceeded its 15,000 units annual target, with 17,022 policies sold to members and their relatives. Some 82 policy holders claimed benefits against their policy for accidental death and fire assistance. The total benefits released amounted to Php450,000.

Based on members' continued patronage of the product, KMBA sought to improve the fire assistance coverage offered by partner Bankers Assurance Corporation. As a result, members claiming fire assistance now stand to receive Php10,000, from the previous Php5,000 benefit. This is true despite the premium remaining at Php50/unit. The enhanced K-Kalingatakes effect upon renewal of the master policy.

R

EPA (K-BENTE)

As a form of members' benefit, the Association provides insurance coverage to its members and their dependents for both natual and accidental deaths. KMBA shoulders the premium payments under the policy, which is implemented with SunlifeGrepa Financial.

The product was well-received in 2017, with significantly high claims ratio. To ensure product sustainability, KMBA agreed with Sunlife's proposal to reduce the benefits given to claimants, from the previous Php10,000 to P5,000, with the same premium of P20.

The change took effect upon renewal of the group policy last June 9, 2018. Compared to its 2017 level, enrolment under the policy slightly increased to 72,341 members and dependents, with the policy effective from June 10, 2018 to June 9, 2019. As of end of 2018, 17 claims were submitted to KMBA, which in turn released Php 165,000 in benefits.

NETWORKS

KMBA maintained its active leadership role as a member of the Microinsurance MBA Association of the Philippines (MiMAP) Inc., also known as Rimansi Organization for Asia and the Pacific. KMBA's general manager sat in the Board of Trustees of MiMAP. In support of the network's objectives and related activities, KMBA was among the MiMAP members who contributed in the MiMAP pooled investment managed by BPI Bayanihan Balanced Fund. Also, it supported the establishment of the MiMAP Mutual Guarantee Fund, managed by Union Bank, to serve as immediate aid for a member-MBA, which may find itself in financial distress.

Last year, KMBA was in constant discussion with the network in pushing for tax policies that are consistent with existing laws and would benefit the MBA sector. It joined the policy dialogue with Insurance Commissioner Dennis Funa on issues related to MBA tax exemption and the International Financial Reporting Standards 17. Following the approval of its membership in the International Cooperative and Mutual Insurance Federation (ICMIF) in 2017, KMBA hosted the Japan-based Asia and Oceania Association (AOA) of the ICMIF last year. In early December 2018, KMBA managers took part in the AOA-organized seminar in Hong Kong. KMBA officials likewise served as resource persons in a number of learning sessions and management forum, to help in the exchange of best practices and valuable insights in the growth of MBAs.

OTHER ACCOMPLISHMENTS

In acknowledgment of its good governance efforts, KMBA was once again awarded by the Insurance Commission (IC) as among the Top Five Mutual Benefit Associations in 2018. The assessment was based on the 2018 ASEAN Corporate Governance Scorecard Assessment by the Institute of Corporate Directors.

Before the IC's recognition, RiMANSI evaluated KMBA's performance and gave it an overall score of 91. These awards and recognitions are testaments to KMBA's commitment to meet the regulatory and compliance requirements set by pertinent laws and the implementing government agencies, as well as that of industry standards. Among them are the following networking efforts, regular staff activities, and the management's initiatives to comply with the regulations and standards of good microinsurance practice.

TABLE NO. 5 OTHER ACCOMPLISHMENTS

JANUARY	MEFIN Public/Private Dialogue in Inclusive Insurance
	Microinsurance Forum
	SAIDI-Research Forum
	Compliance with ▪ Business Permit ▪ BIR Submission of Loose Leaf ▪ BIR Submission of Alpha List
FEBRUARY	Microinsurance Awareness Campaign
	Seminar on TRAIN Law
	KMBA Recollection and Teambuilding
	Financial Literacy Seminar for Board of Trustees and Board of Advisers
	Cebu Monitoring Visit
MARCH	Product Bundling and Corporate Governance
APRIL	Workshop and Consultation with Accounting Supervisors
	Consortium Orientation
	SipatLandas
	Compliance with BIR and SEC filing of ITR and Audited Financial Statements
MAY	Business Data Analytics
	Risk Management Training
	Asia Oceania Association (AOA) Visit
	BLIP Enhancement and HIIP Orientation
	12th Annual General Assembly
JUNE	Microinsurance Awareness Campaign
	MiMAP Board/ Committee Meetings
	Compliance with ACGS posting in the KMBA website
JULY	Python Training for Beginners
AUGUST	MiMAP Management Forum
	FB & Instagram for Business Workshop
	Psycho-Spiritual Integration
SEPTEMBER	RiMANSI Performance Evaluation
	Strategic Review 2017-2022
	Gender-Sensitivity Training
	FinTech Digital Innovation
OCTOBER	Briefing on Philippine and Global Economic Situation

NOVEMBER	Microinsurance Technology NCII
DECEMBER	AOA Seminar on Impact of Digital Innovation on the Strategies of our Sector
	Microinsurance Distribution Training through Insurance, Savings, and Loan Association

In addition, KMBA complies with the monthly uploading of pertinent information as required by the Credit Information Corporation, as well as the report on material related party transactions every quarter.

To guide its operations, the Accounting and Investment Manuals of the KMBA are in their final drafts. These are expected to be approved in 2019, along with the updating of the Corporate Governance Manual. On the matter of its management and information systems, KMBA engaged a project consultant to guide the continuing software development and maintenance of the KMBA KOINS. In the coming year, KMBA will pursue the BIR registration of its KOINS.

In 2019, KMBA gears up for the full implementation of its enhanced and new products, which should be enjoyed by around 68,000 members, under the leadership of a new set of Board of Trustees, and housed in its new KMBA Building.

PART TWO Corporate Governance and Management

Board of Trustees

KMBA's by-laws formally assigns to its Board of Trustees (BoT) the responsibility of governing, controlling, and managing the affairs, funds, and property of the Association. Compliance with the principles of sound corporate governance starts with the Board. The BoT exercises corporate powers and guides management of KMBA's programs and services in accordance with such principles. Members undergo continuing training and education to enhance their governance competencies and thus help them perform these functions well.

CONTINUING EDUCATION AND LEADERSHIP DEVELOPMENT OF THE BOT

In line with the Association's commitment to equip its officer with the necessary leadership and technical skills for the positions they hold.

Below are the members of the Board of Trustees of KMBA and their respective terms of office and the trainings they each attended in 2018:

Isabel M. Iliw-iliw
PRESIDENT

- Age: 53
- Qualification: BS Agriculture, 1989
- Date elected: May 31, 2016
- Directorship: Chairperson, Treasury Committee
- Relative experience: Center Chief, 11 years

Trainings and Seminars Attended:

- Microinsurance Forum (MiMAP), *January 2018*
- Financial Literacy on Investment, *February 16, 2018*
- Regular Annual Recollection (KMBA), *February 2018*
- Learning Session on Product Bundling (MiMAP), *March 28, 2018*
- Leadership Training (MiMAP), *July 25-27, 2018*
- Management Forum (MiMAP), *August 15-18, 2018*
- Performance Evaluation (RiMANSI), *September 2018*
- Briefing on Philippine and Global Economic Situation (KMBA), Oct. *2018*

Marissa A. Loyola
TREASURER

- Age: 53
- Qualification: BS in Hotel and Restaurant Management
- Date elected: May 31, 2016
- Directorship: Member, Audit Committee
Member, Treasury Committee
Member, KSO HR Committee
- Relative experience: 11 years – Center Chief

Trainings and Seminars Attended:

- Microinsurance Forum (MiMAP), January 2018
- Regular Annual Recollection (KMBA), February 9-10, 2018
- Financial Literacy on Investment, February 16, 2018
- Learning Session on Product Bundling (MiMAP), March 28, 2018
- Leadership Training (MiMAP), July 25-27, 2018
- Performance Evaluation (RiMANSI), September 2018
- Briefing on Philippine and Global Economic Situation (KMBA), Oct. 2018

Brenda F. Lumbao
SECRETARY

- Age: 34
- Qualification: Associate in Medical Secretariat
- Date elected: May 31, 2017
- Directorship: Chairperson, Risk Committee
  Member, Product Development and Innovation Committee
- Relative experience: 1 year, President, KEEPF

Trainings and Seminars Attended:

- Microinsurance Forum (MiMAP), January 2018
- Regular Annual Recollection (KMBA), February 9-10, 2018
- Financial Literacy on Investment, February 16, 2018
- Briefing on Philippine and Global Economic Situation (KMBA), Oct. 2018

Marilyn C. Aldave
MEMBER

- Age: 40
- Qualification: Diploma Course, Hotel and Restaurant Services
- Date elected: May 31, 2017
- Directorship: Chairperson, Product Development and Innovation Committee
  Member, Nomination and Election Committee
- Relative experience: 11 years – Center Chief

Trainings and Seminars Attended:

- Microinsurance Forum (MiMAP), January 2018
- Regular Annual Recollection (KMBA), February 9-10, 2018
- Financial Literacy on Investment, February 16, 2018
- Learning Session on Product Bundling (MiMAP), March 28, 2018
- Leadership Training (MiMAP), July 25-27, 2018
- Performance Evaluation (RiMANSI), September 2018
- Briefing on Philippine and Global Economic Situation (KMBA), Oct. 2018

Ma. Teresa G. Bucad
MEMBER

- Age: 56
- Qualification: Graduate, Secondary Education
- Date elected: May 31, 2016
- Directorship: Member, Product Development and Innovation Committee
- Relative experience: 9 years – Center Chief

Trainings and Seminars Attended:

- Microinsurance Forum (MiMAP), January 2018
- Regular Annual Recollection (KMBA), February 9-10, 2018
- Financial Literacy on Investment, February 16, 2018
- Learning Session on Product Bundling (MiMAP), March 28, 2018
- Management Forum (MiMAP), August 15-18, 2018
- Performance Evaluation (RiMANSI), September 2018
- Briefing on Philippine and Global Economic Situation (KMBA), Oct. 2018

Elizabeth G. Fuentes
MEMBER

- Age: 62
- Qualification: Graduate, Secondary Education
- Date elected: May 31, 2016
- Directorship: Chairperson, Ethics Committee
- Relative experience: 6 years – Center Chief

Trainings and Seminars Attended:

- Microinsurance Forum (MiMAP), January 2018
- Regular Annual Recollection (KMBA), February 2018
- Management Forum (MiMAP), August 15-18, 2018
- Performance Evaluation (RiMANSI), September 2018
- Briefing on Philippine and Global Economic Situation (KMBA), Oct. 2018

Anita L. Manundo
MEMBER

- Age: 45
- Qualification: BS Accountancy
- Date elected: May 31, 2016
- Directorship: Member, Nomination and Election Committee
- Relative experience: 8 years – Center Chief

Trainings and Seminars Attended:

- Microinsurance Forum (MiMAP), January 2018
- Regular Annual Recollection (KMBA), February 2018
- Learning Session on Product Bundling (MiMAP), March 28, 2018
- Management Forum (MiMAP), August 15-18, 2018
- Performance Evaluation (RiMANSI), September 2018
- Briefing on Philippine and Global Economic Situation (KMBA), Oct. 2018

Philip Arnold P. Tuaño
INDEPENDENT TRUSTEE

- Age: 51
- Qualification: Ph. D., Economics, 2015
- Date elected: May 31, 2017
- Directorship: Chairperson, Audit Committee
Member, Nomination and Election Committee
Member, Risk Committee
- Relative experience: Economics Professor, Ateneo De Manila University

Trainings and Seminars Attended:

- Regular Annual Recollection (KMBA), February 2018
- Briefing on Philippine and Global Economic Situation (KMBA), Oct. 2018

Atty. Ma. Cleofe Gettie C. Sandoval
INDEPENDENT TRUSTEE

- Age: 55
- Qualification: Juris Doctor, 1991
- Date elected: May 31, 2018
- Directorship: Chairperson, Nomination and Election Committee
  Member, Risk Committee
- Relative experience: Undersecretary for Programs, Office of the President of the Phil.

Trainings and Seminars Attended:

- Regular Annual Recollection (KMBA), February 2018
- Gender Sensitivity Training, September 2018
- Briefing on Philippine and Global Economic Situation (KMBA), Oct. 2018

BOARD MEETINGS

For 2018, the KMBA Board of Trustees conducted Eight (8) regular board meetings and one (1) special meeting. The table below summarizes the attendance of trustees for the said meetings. Indicated also are their attendance to the association's annual general meeting last 31 May 2018.

TABLE NO. 6 ATTENDANCE OF BOT IN MEETINGS

TRUSTEE	DESIGNATION	ANNUAL MTG	REGULAR MTG	SPECIAL MTG	%
Isabel M. Iliw-iliw	President	✓	8	1	100
Jerlene B. Perez (2014-2018)	Secretary	✓	3	1	44
Brenda F. Lumbao (May 2018 up to present)	Secretary	✓	4	0	44
Marissa A. Loyola	Treasurer	✓	8	1	100
Ma. Teresa G. Bucad	Member	✓	8	1	100
Anita L. Manundo	Member	✓	7	1	89
Marilyn C. Aldave	Member	✓	8	1	100
Elizabeth G. Fuentes	Member	✓	8	1	100
Philip Arnold P. Tuaño	Independent Member	✓	6	0	67
PerlaBatingal (2013 to 2018)	Independent Member	×	2	1	33
Ma. CleofeGettie Sandoval (May 2018 up to present)	Independent Member	✓	5	0	56

Board Committees

KMBA has six(6) committees composed of Board members and/or area coordinators. Immediately after their formation, the committee members select their chairperson from among themselves. Below are the Board committee's composition, and their members' participation in committee meetings in 2018.

AUDIT COMMITTEE

The Audit Committee is composed of two independent Trustees and one board member of KMBA. The Audit Committee provides internal audit service, maintains complete records of its examination and inventories, conducts related party transactions assessment and submits financial reports quarterly or as may be required by the BoT or general assembly.

The 2018 Audit Committee held five (5) meetings with these agenda items:

1. Initial planning of internal audit processes, in coordination with the Internal Audit Service of the KSO;
2. Review of possible related party transactions;
3. Presentation, short listing and selection of potential external audit firm and compiler for 2019 financial statements;
4. Initial findings of the external auditor;
5. Exit meeting and presentation of audited financial reports.

The Committee was particularly active in reviewing the KMBA's financial performance as embodied in its financial reports, prior to the independent review of the external auditor. Also, the Committee recommended the engagement of the services of the external auditor and compiler to the General Assembly. With regard to the internal audit plan, the same will be pursued this 2019.

COMMITTEE MEMBER	DESIGNATION	MEETINGS ATTENDED	% TO TOTAL MEETINGS
Philip Arnold P. Tuaño	Chairperson	5	100
Ma. CleofeGettie Sandoval	Member	3	60
Marissa A. Loyola	Member	5	100

TREASURY COMMITTEE

The Treasury Committee reviews, advises, and recommends to the BoT approval, decision, or action on financial matters. It is composed of two (2) KMBA Trustees and two (2) KDCI Trustees, plus the KMBA's General Manager. The committee held a total of three (3) meetings in 2018, with the following agenda:

1. Procurement of construction services for the construction of the KMBA building;
2. Feasibility study on the KMBA building as property investment;
3. MiMAP pooled investments managed by BPI Bayanihan Balanced Fund;
4. Mutual Guarantee Fund managed by Union Bank.

Aside from these meetings, the Treasury Committee also attended the Briefing on Philippine and Global Economic Situation to help KMBA understand the current economic landscape wherein it operates. There was also a session on investments, to guide the Board in making the right decisions and in keeping track of viable investment options. The Treasury Committee remained active in sending updates about investment funds to KMBA's management through email communications.

COMMITTEE MEMBER	DESIGNATION	MEETINGS ATTENDED	% TO TOTAL MEETINGS
Isabel M. Iliw-iliw	Chairperson	3	100
Marissa A. Loyola	Member	3	100
Garth Noel Tolentino	Member	2	67
Eduardo Pangan	Member	2	67
Silvida R. Antiquera	Member	3	100

PRODUCT DEVELOPMENT AND INNOVATION COMMITTEE

Given KMBA's objective to enhance its insurance products and services, this Committee was very productive in 2018. After all, this Committee is tasked to develop new and/or additional benefit packages and services that meet the emerging needs of KMBA members. It should strive to enhance existing processes in the area of claims settlement, aside from the implementing policies on products and services. It also reviews pertinent partnership agreements with other insurance providers.

Thus, in 2018, the four (4)-member Committee met four (4) times to tackle the following concerns:

1. K-Bente Group Policy Renewal
2. BLIP and HIIP Implementation
3. Improving Fire Assistance Benefits under K-Kalinga.

COMMITTEE MEMBER	DESIGNATION	MEETINGS ATTENDED	% TO TOTAL MEETINGS
Marilyn C. Aldave	Chairperson	4	100
Brenda F. Lumbap	Member	4	100
Ma. Teresa G. Bucad	Member	4	100
Josephine Abugan	Member	4	100
JosanieLagnason	Member	4	100

NOMINATION AND ELECTION COMMITTEE

The Committee's primary role is the annual review of election rules and the supervision of the orderly conduct of elections, until the proclamation of winning candidates. Last year, the Nomination and Election Committee met thrice to tackle possible changes in the election rules and discuss the process of nominations and selection, given that six (6) Board seats will be vacated. The Committee took active part in screening potential candidates in order to ensure that their interests and passion are in harmony with the best interest of the Association and its strategic objectives.

COMMITTEE MEMBER	DESIGNATION	MEETINGS ATTENDED	% TO TOTAL MEETINGS
Atty. Ma. CleofeGettie C. Sandoval	Chairperson	3	100
Philip Arnold P. Tuaño	Member	2	67
Anita L. Manundo	Member	3	100
Alma Gilbaliga	Member	3	100
Jenifer Abao	Member	3	100

ETHICS COMMITTEE

Apart from drafting a Code of Ethics and Conduct, which it successfully completed last year, this Committee of four members ensures compliance with said Code. It also conducts initial investigations upon receipts of complaints for non-compliance or violations of the same.

The Committee met twice in 2018 for semestral assessments of adherence to the Code of Ethics, as well as the Anti-Fraud Manual and the AMLA Manual, all of which were just finalized and approved by the Board in 2017.

COMMITTEE MEMBER	DESIGNATION	MEETINGS ATTENDED	% TO TOTAL MEETINGS
Elizabeth G. Fuentes	Chairperson	2	100
Ma. Teresa G. Bucad	Member	2	100
Wenifreda F. Rodriguez	Member	2	100
Leticia T. Rodriguez	Member	2	100

Chona B. Capayas	Member	2	100

RISK COMMITTEE

The Risk Committee was constituted and its members elected during the annual general meeting in 2018. The Committee studies and deliberates on material issues that may impact on the operations of KMBA. Further, the Risk Committee prepares strategies and programs to minimize, if not completely avoid, such risks from having negative effects on KMBA's operations.

In its initial year, the Committee met thrice for preliminary discussions on risk exposures of KMBA. Among them is the possibility of facing tax liabilities, given rumored doubts on the income tax exemption status of MBAs. Moreover, there was a session where OM VangiePe, who attended a Risk Management Training prior to the creation of the Committee, shared her learnings and insights from said seminar.

The Risk Committee is looking to come up with a risk management plan in 2019.

COMMITTEE MEMBER	DESIGNATION	MEETINGS ATTENDED	% TO TOTAL MEETINGS
Brenda F. Lumbao	Chairperson	3	100
Philip Arnold P. Tuaño	Member	3	100
Atty. Gettie Sandoval	Member	3	100
NidaTagubar	Member	2	67
MenelizaClete	Member	3	100

SPECIAL PROJECTS COMMITTEES

Aside from the six (6) Board committees, the KMBA Board constituted two (2) special project committees pertinent to the construction of the KMBA Building. They are the Bids and Awards Committee (BAC) and the Construction Committee.

The BAC oversaw several procurement activities, particularly the engagement of the building contractor, the negotiation with a video production firm, and, the procurement of elevator and airconditioning units. For these, the three (3) members of the BAC met every wednesday of the week

COMMITTEE MEMBER	DESIGNATION	MEETINGS ATTENDED	% TO TOTAL MEETINGS
Arch. Erick Vincent Yusingco	Chairperson	2	100
Anita L. Manundo	Member	2	100
Marilyn C. Aldave	Member	2	100

The Construction Committee was activated once the building construction began. It has been making periodic visits in the construction site to check, in coordination with the architect, the progress of the project. It provides constant updates to the Board following their visits. The Committee is composed of the following members:

COMMITTEE MEMBER	DESIGNATION	MEETINGS ATTENDED	% TO TOTAL MEETINGS
Arch. Erik Vincent Yusingco	Chairperson	23	100
Marissa A. Loyola	Member	16	70
Ma. Teresa G. Bucad	Member	10	43

Board of Advisers

True to its advisory role, the Board of Advisers made itself available for consultation and advice every regular and special meeting of the Board of Trustees. The timely and relevant inputs of the advisers were sought on financial and programmatic concerns.

(4) of the original six (6) advisers sat in the Board. These are K-Coop General Manager Maria Anna de Rosas-Ignacio, former KMBA Presidents Leticia Rodriguez and ChonaCapayas, and KMBA President emeritus Wenifreda Rodriguez. In addition to being in the Board of Advisers, some of them performed more specific tasks as Committee members in 2018 (see previous section above for details).

REMUNERATION POLICY FOR THE BOARD AND THE GENERAL MANAGER

In accord with legal provisions, members of the Board of Trustees do not receive compensation for their services, save for actual reimbursements of the monitoring and transportation expenses that they incurred. Similarly, the Board Committee members and Advisers receive no more than what the Trustees do. This is also because these leaders, who are themselves members of the Association, lead serve their fellow members from urban poor communities.

For 2018, KMBA released a total of P 106,000.00 for reimbursements of the Trustees transportation expenses in attending their regular and special meetings.

TRUSTEE	NO. OF MEETINGS ATTENDED	AMOUNT REIMBURSED (IN PHP)
Isabel M. Iliw-iliw	9	P 13,500.00
Marissa A. Loyola	9	P 13,500.00
Ma. Teresa G. Bucad	9	P 13,500.00
Elizabeth G. Fuentes	9	P 13,500.00
Anita L. Manundo	8	P 12,000.00
Marilyn C. Aldave	9	P 13,500.00
Philip Arnold P. Tuano	6	P 12,000.00
PerlaBatingal	3	P 4,500.00
Ma. CleofeGettie C. Sandoval	5	P 10,000.00
TOTAL		P 106,000.00

The process of setting the compensation of the General Manager, and any subsequent review of the same, begins with the work of the Human Resource Department, which presents certain parameters and considerations to the Human Resource Committee. This Committee oversees the compensation policy across all KASAGANA-KA organizations, including the KMBA. In turn, the Committee submits its recommendations to the Board of Trustees of KMBA, which convenes in an executive session for its deliberation and action on the matter. In 2018, the Board approved across-the-board increase in the salary of all KMBA employees, including the General Manager, to take effect January 1, 2019.

PERFORMANCE APPRAISALS OF THE BOARD AND THE GENERAL MANAGER

The Board conducts semestral performance self-assessment. This helps it make constant improvements in Board governance, including efficiency in the conduct of its regular meetings.

In addition, the Board meets in an executive session to evaluate the performance of theGeneral Manager at the end of each semestral. The assessment includes both quantitative and qualitative feedback. The results of the evaluation become the basis for the grant of performance bonus of the General Manager, as is the policy for all KMBA employees.

Other Corporate Governance Updates

INDEPENDENT TRUSTEES

The independent Trustee is a person who has no business, relationship, or other position with KMBA or its partner organizations which could, or could reasonably be perceived to, materially interfere with the exercise of her independent judgment in carrying out responsibilities as a member of the Board of Trustees.

The KMBA has two independent members in the nine-person Board of Trustees. Mr. Philip Arnold Tuano started serving the Board in 2017. Following the resignation of Ms. PerlaBatingal as independent Trustee, KMBA found a new independent Trustee in the person of Atty. Ma. CleofeGettie Sandoval. Their professional insights in the fields of economics and law, respectively, have been invaluable during Board deliberations and decision-making.

INTERNAL AND INDEPENDENT AUDITS

The external stauditor shall provide experienced opinion on the truthfulness of KMBA's financial statements and performs tests to monitor the systems in place. The selection process before an external auditor is engaged is first vetted at the level of the Audit Committee, which submits its recommendations to the Board of Trustees. The Board-approved selection is submitted to the KMBA members during the annual general meeting for the membership's final determination. This entire process is in observance of Insurance Commission Circular No. 29-2009 dated November 10, 2009.

For the independent audit of the 2018 Financial Statements, the general membership once again chose the audit firm of Roxas, Cruz, Tagle, and Co., (formerly BDO Alba, Romeo, and Co.). Total fees incurred for the firm's auditing services amounted toTwo Hundred Eleven Thousand Pesos (Php 211,000.00), exclusive of Value Added Taxes (VAT) and other out-of-pocket expenses.

The internal auditor reports directly to the Board of Trustees, regarding her/his independent and objective evaluation of the Association's financial and operational business activities, including its corporate governance and/or operational efficiencies. At present, KMBA shares internal audit services with the KASAGANA-KA Synergizing Organizations, with Ms. Hazel Pamela Bonifacio as the Internal Audit Manager. She sits in Audit Committee meetings and has began laying out the audit plan for the review of internal audit processes in 2019.

GOVERNANCE MANUAL AND CODE OF ETHICS

The General Manager is designated as the Association's Compliance Officer, tasked to establish a monitoring and evaluation system and track compliance of Trustees, management team, and employees with the KMBA Corporate Governance Manual. For this purpose, the General Manager taps other members of the management team to facilitate the effective and efficient performance of said tasks. The Manual is available in the KMBA website for reference of any member or interested party. No changes were effected in the Manual in 2018, but it will undergo a review process this 2019.

The Association has in place a Code of Conduct and Ethics,that is required to be observed and complied with by all trustees, officers, and employees in dealing with members and other stakeholders within and outside KMBA. Included in the Code are standards of conduct and basic principles for ensuring the proper discharge of one's duties and responsibilities, such as not using one's position to make profit or to acquire benefit or advantage; avoiding situations that compromise one's impartiality; maintaining professional integrity; and enhancing skills and knowledge, and understanding of the Association's operations and related activities.

Violations of the Governance Manual and the Code of Conduct and Ethics are offenses that KMBA will strive to properly address, in order to avoid ill effects on corporate affairs and business operations. To this end, KMBA encourages any party who may have knowledge of such violations to report them in good faith to management or to the Board.

MANAGEMENT OF KEY RISKS

With the creation of the Risk Management Committee, KMBA looks to strengthen its risk management policy and undertake periodic assessment of the various risks that KMBA faces in all areas of operations and administration, approximate their probability, and determine ways to minimize, if not completely avoid their negative effects.

LIQUIDITY RISK

This refers to the risk that the Association will not be able to meet its financial obligations as this fall due, basically from lack of funding to finance its growth and capital expenditures and requirements.

The Association's approach to manage its liquidity profile is to ensure that adequate funding is available at all times to meet commitments as these arise without incurring unnecessary costs, and to be able to access funding when needed. The Board and management work closely to manage this risk.

CREDIT RISK

This involves the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. In the case of KMBA, its receivable balances are carefully monitored on an ongoing basis to ensure that its exposure to impairment is not significant.

Member credit risk is managed by analysing the credit risk for each new member before standard payment and appropriate delivery terms and conditions are offered. Outstanding receivables are regularly monitored. The credit quality of the Association's financial assets that are neither past due not impaired is considered to be good quality and expected to be collectible without any credit losses.

Credit risk from balances with banks is managed by ensuring that deposit arrangements are with reputable and financially sound counterparties.

The credit quality of the Association's financial assets is evaluated using internal credit rating. Financial assets are considered as high grade if the counterparties are not expected to default in settling their obligations, thus credit risk exposure is minimal. These counterparties include banks, related parties and members who pay on or before the due date. KMBA's bases in grading its financial assets are as follows:

High grade. These are receivables which have a high probability of collection (the counterparty has the apparent ability to satisfy the obligation and the security on the receivables are readily enforceable).

Standard. These are receivables where collection is probable due to the reputation and the financial ability of the counterparty to pay, but which have been outstanding for a certain period of time.

Substandard. Receivables that can be collected provided KMBA makes persistent effort to collect them.

COMPLIANCE RISK

This arises from violations or non-conformity with laws, rules and regulations, circulars, and prescribed practices of the Insurance Commission, and other regulatory bodies, that may expose KMBA to fines and penalties. To properly address these risks, the Corporate Governance Manual of KMBA names its General Manager as the

Association's Compliance Officer. She is ably supported by the management staff, in particular the Executive Assistant. KMBA prepares an annual compliance calendar that guides it on reportorial requirements and the deadlines set for each. Regular communications with the network also help in keeping the Association abreast with developments in the industry regulatory landscape.

FINANCIAL PERFORMANCE INDICATORS

KMBA has been consistently compliant to the policies, both financial and administrative regulations, mandated by the Insurance Commission. Specifically, it adhere to the following policies:

1. Administrative costs shall not exceed 20% of the association’s total gross revenue; and
2. High ratio in the Risk Based Capital(RBC) framework.

Reflecting to KMBA’s commitment as a fully compliant association, in the year 2018, KMBA’s operating expenses increased to around 20.68% compared to its 20.5% rate in 2017 of its gross premium collection, while its RBC ratio stood at around 580%.

NON-FINANCIAL PERFORMANCE INDICATORS

KMBA promotes efficient aid to its member by imple to claim settlements. Even if the operations are manually ert extra miles in providing quality service by highlighting importance of coordination, communication and cooperation from its partners up to its area coordinators. To effectuate thesefactors, itincludes the use of mobile phone, email, and other platform of communication such as social media sites.

The value of coordination with staffs and members has an essential role in implementing this practice. Upon submission of claims and receipt of complete documents, KMBA intend to provide the c er within 24 hours. This initiative is made to extend its ha eir need.

POLICY ON DIVIDENDS

MBA being a non-stock non-profit mutual aid association, does not distribute dividends to its members. However, pursuant to Circular Letter Number 2015-46 dated 8 September 2015 section 408 paragraph 3 of the amended Insurance Code of the Philippines, it may distribute the excess of its free and unassigned surplusto the member benefits' fund, whether in cash or in kind, and duly verified by the Insurance Commission. In practice, in pursuit to KMBA's aspirations to achieve its mission, it distribute its duly verified free and unassigned surplus as equity value enhancement in the amount Php 45.00 to its members.

PROCUREMENT POLICY

To ensure that engagements with suppliers and contractors are impartial and transparent, the Association conducts a bidding process for its projects. The KMBA organized an ad hoc Bids and Awards Committee for the building construction project, which would involve several procurement activities for the various requirements of construction.

In the process of selection, the Association takes into account the following factors: (I) cost; (ii) quality of past services; (iii) efficiency; (d) relationship of the supplier to the Association; and (e) good governance practices. The Policy also prohibits transactions involving solicitation, and directly or indirectly accepting gifts, commission and other forms of payment from members, suppliers and other parties in exchange for favourable treatment.

RELATED-PARTY TRANSACTIONS

The Audit Committee conducted an assessment on related-party transactions, headed by the two Independent Trustees, particularly those which may involve possible conflicts of interests that may be to the disadvantage of KMBA. Related party includes: (a) Members of KMBA's Board of Trustees, sister organization KDCI, K-Coop and partner organization; (b) KMBA's General Manager and key officers, including anyone who directly reports to the Board of Trustees; and (c) any person whose judgment or decisions could be influenced as a consequence of an arrangement or relationship between or involving themselves and any person mentioned above.

ENVIRONMENT-FRIENDLY VALUE CHAIN

As part of its value chain, KMBA strives to monitor all its engagements with suppliers and contractors to check whether they practice good governance and are able to preserve the natural environment in the process. These efforts were particularly evident in the engagement of the building contractor, which reports to the architect and the Construction Committee the quality of the materials they use in the construction.

Moreover, the KMBA takes advantage of electronic means in exchanges of information, and in presenting data and reports during Board meetings to reduce the use of paper. In fact, an announcement of the Board Meeting is posted three (3) weeks prior to the meeting, while the materials for the Board Meeting is posted in the official KMBA website at least five (5) days before the meeting.

Ongoing initiatives, such as the "reduce, reuse, recycle" policy in the utilization of office supplies remain.

MEMBERS' AND EMPLOYEE'S HEALTH AND SAFETY

KMBA supports the state's constitutional mandate to promote the right to health of its members and its employees, and to instill among themselves importance of health consciousness. That being, it is the association's top priority to protect their well-being by way of promoting and supporting programs, activities or events which will allow them to exercise this right. In achieving this goal, KMBA ensures that these activities are made in line with the regulations executed by both the Department of Health and Department of Labor and Employment.

In realizing this mandate, together with the help of other Kasagana-Ka Organizations such as the KDCI, KMBA promotes its social mission to extend health awareness to its members and employees by encouraging them to participate to health-related activities. This includes the conduct of the annual community services which offers laboratory tests, eye check-up and medical consultations to respected doctors and physicians. This activities extends, not only to the members and employees, but also to their immediate families.

PROGRAMS FOR MEMBERS' WELFARE

The Association strives to develop new and innovative packages and/or services that meet the emerging needs of its client beneficiaries and are at par with industry standards.

Programs for members' welfare have been discussed in the previous sections of this Annual Report. These includes the following activities:

a.) Kuya Jun scholarship program which provides for educational assistance for deserving children of members;
b.) Calamity Assistance Program which aid affected members in the form of reliefs in the event of calamities and disasters;
c.) K-Bente Insurance has been provided to members and their dependents. It is fully paid by the association, thus, KMBA does not collect any additional premium from the members; and
d.) Members' equity enhancement which is equivalent to three weekly contribution or Php 45.00 as an additional members' benefit.

More so, the association uphold protection to both the Life and Credit Life insurance of both the members including their dependents by doubling its safety-net against unforeseen and inevitable risks through the association's reinsurance with National Reinsurance Corporation of the Philippines, without any additional cost to the members.

Further, the Association provides avenues for members to participate in policy determination and decision-making through their KMBA Coordinators' periodic meeting. KMBA reports to the general membership through Roadshows and the annual general meeting.

REWARDS POLICY

KMBA may provide rewards or bonuses, either monetary or non-monetary in value, to the staff on instances of exemplary performance of the association whenever it exceeds its desired annual target subject to the recommendation of the General Manager and the approval of the Board of Trustees.

CREDITORS' RIGHTS

One concrete way by which the Association seeks to safeguard creditors' rights is to keep them timely informed of the status of the financial performance and operations of KMBA. Reports, documents and materials are periodically and timely uploaded in the KMBA website for access of the general public. Members, who are among the Association's creditors (if any), have the right to inspect association books and records, including minutes of Board meetings and performance reports, and shall be furnished with annual reports and financial statements, without costs or restrictions.

ANTI-CORRUPTION POLICY

KMBA strictly enforces a no-gift policy so as not compromise the integrity of its operations, improperly influence decision-making, avoid conflicts of interest, or any perception thereof as a result of receiving gifts. Likewise, KMBA deals with its trustees, employees, suppliers, partners, government agencies and other parties at arm's length and with full transparency, in observance of established policies and in recognition of either party's integrity.

In support of this policy, violations thereof will be dealt appropriately. As discussed in the succeeding sections, an investigation process will thereby be initiated by any concerned individual filing an *UlatsaPangyayar*i Form to designated Internal Audit Services of the association in case of suspected anti-corruption activities.

PROTECTING THE WHISTLE-BLOWER

All stakeholders, including employees and client-beneficiaries, are free to communicate their concerns or complaints about illegal and/or unethical practices to KMBA's Board of Trustees. KMBA maintains a policy to protect the identiy of the whistle-blower, maintain confidentiality of the disclosure, validate the claims and reports, and prevent any form of retaliation by the complained parties.

The Association firmly stands against any form of harassment and other forms of threat committed against any member, employee, or Trustee. As such, KMBA shall ensure that appropriate mechanisms shall be in place to receive complaints of retaliation and harassment and protect the whistle-blower who report in good faith the incident.

KMBA shall deal with equal force against anyone who shall lodge a malicious report of retaliation or harassment, based on personal bias, false or misleading information, or for personal gain. The ill-motivated whistle-blower may lose her/his protection and KMBA may impose disciplinary action against her/him.

HANDLING OF COMPLAINTS

In case of complaints involving non-compliance or violation to the Code of Ethics and Conduct and other illegal or corrupt practice, the General Manager or the President of the Board shall coordinate with the Ethics Committee. The Ethics Committee shall conduct initial investigation and/or inquiry upon receipt of complaints and submit a report directly to the Board of Trustees, together with recommended sanctions.

Isabel M. Iliw-iliw
President
Landline: 990-7915
Mobile No.: 0930-0111167
Email Address:
kasaganaka.mba@gmail.com

For complaints against KMBA employees or members related to its value chain, the President of the Association has been authorized to receive complaints. Submission of complaints may be in confidence or anonymous. Below is the KMBA President's contact information:

Report on Corporate Social Responsibility

EXPRESSING LOVE TO THE COMMUNITY BY SERVING DEVELOPMENTAL AND SOCIAL ACTIVITIES

It is the love for the community that drives the association's willingness to extend hand to those who need it the most. It is a dream to provide hope to those who felt helpless when nothing else in the world does not seem to be in place. KMBA endeavor to be that shadow that will lift up its members to give them courage to face another beautiful day. Hence, it personally shaped its community development services as that which will reach out and exceed expectations of its members who are generally members of the urban poor sector.

CALAMITY ASSISTANCE

Natural catastrophes are inevitable. It choose no specific place or specific people. In the year 2018, various members of KMBA specifically from Novaliches, Taytay, Montalban, RHS, Quezon City, TandangSora, Fairview, Batasan and GMA were a victim of natural disasters. These are urban poor communities who are highly populated and prone to exposures of typhoon, flood, and fire. Without any hesitation, Php 501,391.57 calamity assistance were released to 85 claims of the affected families of members. This helped them cope up with sadness of losing their houses and build their devastated homes with hope and smile in their faces.

EDUCATIONAL ASSISTANCE

Education is the hope of our future leaders. It is the primary form to acquire knowledge and experience which our children has the right and deserve to have. The creation of KMBA's Kuya Jun Scholarship Program is not just a platform to allow children to learn but also an ignition to achieve and mold future teachers, doctors, lawyers, engineers and all other kind of profession who will lead our nation.

It is with glee that KMBA has granted 101 scholars in 2018 with a total accumulated amount of Php 590,000.00 educational assistance. This helped the children to pay for their tuition; purchase uniforms, books, bags and other school supplies; as well as to support their daily meal allowance that will put their parent's mind at ease because their children are not starving while studying. KMBA's commitment to provide educational assistance to deserving children of their members is not just a social mission but an achievement of the association.

EMPOWERING KMBA EMPLOYEES

Employees are investment of KMBA in achieving its mission, vision and goals. To dream of the employees' future is to dream to the associations aspirations. In 2018, KMBA empowered the capabilities of their employees by exposing them to various trainings and workshops which will enhance their skills in accordance to the expertise which they possess. With that, KMBA proudly presents the subjects of trainings and workshops to which the employees has participated in the afore-mentioned year:

MONTH	TRAINING/WORKSHOP
January	Micro Insurance Forum
	SAIDI Research Forum
	Micro Insurance Awareness Campaign
February	Micro Insurance Awareness Campaign
	Financial Literacy on Investment
	Seminar on TRAIN Law
March	Learning Session on Product Bundling and Corporate Governance
April	Consortium Orientation
May	Business Data Analytics
	Risk Management Training
	Asia and Oceania Orientation (AOA) Visit
	BLIP Enhancement and HIIP Orientation
July	Python Training for Beginners
August	Facebook & Instagram for Business Workshop
	MiMAP Management Forum
	FB and Instagram for Business Workshop
	Psycho-Spiritual Integration
September	Seamless Training Workshop
	Gender Sensitivity Training
	FinTech Digital Innovation
October	Briefing on Philippine and Global Economic Situation
November	Micro Insurance Technology NCII
December	AOA Seminar on Impact of Digital Innovation on the Strategies of our Sector
	Micro Insurance Distribution Training Through Insurance, Savings, and Loan Association

Empowerment of the employees does not stop with learning. KMBA therefore promote camaraderie and unity among its employees in order to properly work together with their common goal. This is realized through various team building activities and get together events such as recreational and recollection activities.

PROTECTION AGAINST ANTI-CORRUPTION ACTIVITIES

It is clear to the Board and Management the roots to which the association is created. It highlights the value of the wealth of the association as one which is dedicated to serve the urban poor sector. Hence, in protecting the association against anti-corruption activities, the association strictly implement no Gift Policy to combat any conflict of interest which may be confined in receiving favors and compliments, whether monetary or non-monetary in value.

This matteris also for consideration for the risk of the association. Thus, in the year 2018, the management participated to a risk management training in order to properly evaluate and monitor existence of anti-corruption activities. This edge is a way of KMBA to maintain the integrity and trust of its stakeholders against unethical standards and to protect their interestin the association.

MEMBERS' GRIEVANCES

The family of Kasagana-Ka, to which KMBA belongs, ensure that the members have their own means to communicate their concerns to the organization. Addressing these concerns is more than just hearing the matters but rather to respond with eagerness to help and to mitigate any pressing concerns which may put risk on the association's reputation. This is by the use of the *Ulat Hotline* which the members may call to raise questions, concerns, feedback and potential issues; and the *Ulat ng Pangyayari Form*which the members may fill up in case of reporting complaints or suspicious activities.

These reports are properly logged and coordinated with the help of the designated Internal Audit Services of the association.

ENSURING THE RIGHTS OF THE CREDITORS

Updating the association's creditors (if any) is given due importance through KMBA's transparency on its financial performance. Periodically and in a timely manner, KMBA make use of its publicly available website to upload reports, materials and documents which is necessary for the creditors' information.

Further, it conducts Road Shows or *Sipat-Landas*participated by the members of the association to keep them up to date to KMBA's products, services, status, achievements, performance and plans. Valuing the members' right to information, this activity is conducted every year in the respective residential areas of the members.

Management Team

The KMBA management and staff is a twelve (12)-member team, headed by its General Manager who is in-charge of providing general directions, supervision, management and administrative control on all the operating units, subject to such limitations as may be set forth by the Board of Trustees or the General Assembly.

TRAINING AND DEVELOPMENT FOR EMPLOYEES

The Board, with the assistance of the Management Team, adopts an annual training and development plan for its employees to encourage their continuous learning on corporate governance and other relevant work-related topics or skills. Apart from the Plan, the employees may submit a written request to undertake specific courses or training sessions, which are aligned with the KMBA's capacity development requirements.

In 2018, several employees participated in various training activities, as follows:

DATE	TRAINING COURSE/SEMINAR	PARTICIPANT
January 25, 2018	Micro Insurance Forum	KMBA Staff
January 26, 2018	SAIDI Research Forum	Silvida R. Antiquera (General Manager)
January 30, 2018	Micro Insurance Awareness Campaign	Evangeline Pe

and February 27, 2018		(Operations Manager) Adrian San Andres (Account Officer)
February 16, 2018	Financial Literacy on Investment	SilvidaAntiquera (General Manager) Evelyn A.Lagmay (Finance Manager) Analyn Shih (Executive Assistant) Evangeline E. Pe (Operations Manager
February 27, 2018	Seminar on TRAIN Law	Evelyn Lagmay (Finance Manager)
March 28, 2018	Learning Session on Product Bundling and Corporate Governance	KMBA Staff
April 23-25, 2018	Consortium Orientation	
May 15-17, 2018	Business Data Analytics	Evelyn Lagmay (Finance Manager) DiobertCalanza (Account Officer) AljohnLaureano (MIS Officer)
May 21-25, 2018	Risk Management Training	Evangeline Pe (Operations Manager)
May 29, 2018	Asia and Oceania Orientation (AOA) Visit	Silvida R. Antiquera (General Manager)
May 30, 2018	BLIP Enhancement and HIIP Orientation	KMBA Staff
July 10-12, 2018	Python Training for Beginners	AljohnLaureano (MIS Officer) Adrian San Andres (Account Officer) Richard Monteron (AccountsOfficer)
August 14, 2018	Facebook & Instagram for Business Workshop	Diobert F. Calanza (Account Officer)
August 15-18, 2018	MiMAP Management Forum	KMBA Staff
'August 28, 2018	FB and Instagram for Business Workshop	DiobertCalanza (Account Officer)
August 15-17 and September 20-22, 2018	Psycho-Spiritual Integration	Evangeline Pe (Operations Manager
September 26-27, 2018	Seamless Training Workshop	AljonLaureano (MIS Officer) Evelyn Lagmay (Finance Manager)
September 25, 2018	Gender Sensitivity Training	Analyn Shih (Executive Assistant)

		Richard Monteron (Account Officer) McquenAbellano (Account Officer)
September 29, 2018	FinTech Digital Innovation	Evelyn Lagmay (Finance Manager) AljonLaureano (MIS Officer)
October 4, 2018	Briefing on Philippine and Global Economic Situation	KMBA Staff
November 19, 2018	Microinsurance Technology NCII	DiobertCalanza Adrian San Andres McquenAbellano Richard Monteron Jake Villanueva (Account Officers)
December 6-7, 2018	AOA Seminar on Impact of Digital Innovation on the Strategies of our Sector	Evangeline Pe (Operations Manager) Adrian San Andres (Account Officer)
December 10-11, 2018	Microinsurance Distribution Training Through Insurance, Savings, and Loan Association	McquenAbellano (Account Officer) Silvida R. Antiquera (General Manager)

In addition, the following staff enrolled in the listed courses to pursue baccalaureate and post-graduate degrees, and to prepare for licensure examinations:

EMPLOYEE	COURSE
Evangeline Pe (Operations Manager)	Expanded Tertiary Education Equivalency and Accreditation Program (ETEEAP) in Community Development at St. Joseph's College
Evelyn Lagmay (Finance Manager)	Refresher course in preparation for Certified Public Accountant Licensure Examination
DiobertCalanza (Accounts Officer)	Master of Arts in Business Administration at the National College of Business and Arts

Commitment to Good Governance

The Board of Trustees and the Management Team of KMBA are committed to the principles and best practices on good governance as expressed in its Articles of Incorporation, By-Laws, and the Corporate Governance Manual, and as provided by pertinent laws and government regulations. The Board and the management acknowledge that the strength of KMBA as an institution is founded to a great extent on its adherence to these principles and practices as guide in the attainment of the Association's vision and mission.

To this end, Board and management will maintain transparency and accountability to its members and other stakeholders, and shall manage its operations with integrity. Periodic disclosure of relevant information to the public and specific stakeholders will be complied with. Greater participation of members in policy determination and decision-making shall continually be encouraged. Checks and balances and the appropriate control mechanisms shall always be in place and further strengthened.

The General Manager, as Compliance Officer of the Association, shall closely monitor the implementation of the Corporate Governance Manual. Complaints of violations or non-compliance with the same may be lodged before her, who shall conduct the necessary inquiry and report the results to the Board.

QUATERLY EVALUATION AND PLANNING

Evaluation and Planning meeting is conducted quarterly by KMBA with sister organizations within the Kasagan-Ka Family. In this meeting, each organization presents their quarterly achievements and plans in accordance to their Annual Plans.

Since KMBA is a membership-driven association, each member deserves the association's report of achievements. Thus, Roadshow/SipatLandas is being held every first quarter of the following year to address this initiative in various clusters of Kasagana-Ka member areas. The purpose of this Roadshow is to engage the members in the plan, activities in line with the vision, mission and goals of the association.

BOARD POLICY REVIEW

The Board reviewed the Association's vision and mission statements, and its corporate goals (VMGs). It found no need to revise the VMGs since they are concrete expressions of the objectives and needs of the membership, still to be achieved and likewise relevant to the changing industry environment. The programs and services are likewise still in alignment with the VMG. These as well as the policies and implementing rules shall again be assessed by the Board in 2019 in order to improve the quality of services of KMBA.

PART THREE | Audited Financial Report

KASAGANA-KA MUTUAL BENEFIT ASSOCIATION, INC.
(A Non-stock, Not-for-profit Association)

INDEX TO THE FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
AUDITED FINANCIAL STATEMENTS
DECEMBER 31, 2018

Financial Statements

Supplementary Schedules

KASAGANA-KA
Mutual Benefit Association, Inc.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Kasagana Ka Mutual Benefit Association, Inc.** is responsible for the preparation and fair presentation the financial statement including the schedules attached therein, for the years ended December 31, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the 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 intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

The Board of Trustees is responsible for overseeing the Association's financial reporting process.

The Board of Trustees reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

Roxas Cruz Tagle and Co., the independent auditor appointed by the Board of Trustees, has audited the financial statements of the Association in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

ISABEL ILIW-ILIW
President

SYLVIDA ANTIQUERA
General Manager

MARISSA LOYOLA
Treasurer

APR 29 2019

Signed this 12th day of April, 2019

#5 Don Francisco Street, Don Enrique Heights, Brgy. Holy Spirit Commonwealth Ave., Quezon City
Telefax: (63) 990-7915
Email: kasaganaka.mba@gmail.com

BDO Roxas Cruz Tagle and Co.
Audit | Tax | Consulting | BSO

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INDEPENDENT AUDITORS' REPORT

The Members and the Board of Trustees
Kasagana-Ka Mutual Benefit Association, Inc.
(A Non-stock, Not-for-profit Association)
#5 Don Francisco St., Don Enrique Heights
Brgy. Holy Spirit, Quezon City

Report on the Financial Statements

Opinion

We have audited the financial statements of Kasagana-Ka Mutual Benefit Association, Inc. *(A Non-stock, Not-for-profit Association)* (the "Association"), which comprise the statements of financial position as at December 31, 2018 and 2017 and the statements of comprehensive income, statements of changes in fund balance and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Association in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that include our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit is 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 reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of our 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.

- 3 -

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.

ROXAS CRUZ TAGLE AND CO.

Clark Joseph C. Babor
Partner
CPA Certificate No. 0119292
Tax Identification No. 248-709-974-0000
PTR No. 7348358, issued on January 10, 2019, Makati City
BOA/PRC Registration No. 0005, issued on December 13, 2018,
effective until July 20, 2021
SEC Accreditation No. 1580-A (Individual), Group C, issued on August 30, 2016,
effective until August 30, 2019
SEC Accreditation No. 0007-FR-5 (Firm), Group A, issued on July 5, 2018,
effective until July 4, 2021
BIR Accreditation No. 08-006635-001-2017, issued on January 23, 2017,
effective until January 22, 2020
IC Accreditation No. SP-2019-001-O, issued on January 31, 2019,
effective until January 30, 2022

April 12, 2019
Makati City

APR 29 2019

KASAGANA-KA MUTUAL BENEFIT ASSOCIATION, INC.
(A Non-stock, Not-for-profit Association)

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	Note	2018	2017
ASSETS			
Current Assets			
Cash and cash equivalents	6	₱39,567,662	₱62,529,821
Receivables	7	11,773,126	4,860,036
Short-term investment	8	6,051,351	–
Other current assets		547,806	318,288
Total Current Assets		57,939,945	67,708,145
Noncurrent Assets			
Financial assets at FVOCI	9	18,000,729	15,590,740
Investments in debt securities	10	86,678,366	86,678,366
Investment properties	11	44,062,276	17,863,668
Property and equipment, net	12	1,232,676	284,126
Computer software, net	13	1,087,649	1,209,732
Other noncurrent assets		246,867	162,461
Total Noncurrent Assets		151,308,563	121,789,093
		₱209,248,508	₱189,497,238
LIABILITIES AND FUND BALANCE			
Liabilities			
Current Liabilities			
Trade and other payables	14	₱698,714	₱1,083,773
Liability on individual equity value	15	5,562,364	4,064,147
Aggregate reserve for trust liability	15	7,026,181	6,865,887
Basic contingent benefit reserve	15	372,525	288,711
Optional benefit reserve	15	1,111,216	824,479
Claims payable on basic contingent benefit	16	502,499	389,909
Total Current Liabilities		15,273,499	13,516,906
Noncurrent Liabilities			
Liability on individual equity value	15	77,511,541	68,074,847
Aggregate reserve for trust liability	15	42,170,943	36,198,289
Retirement benefit obligation, net	19	199,331	823,244
Total Noncurrent Liabilities		119,881,815	105,096,380
Total Liabilities		135,155,314	118,613,286
Fund balance			
Restricted balance	17	45,435,874	35,111,526
Unrestricted balance	17	28,582,612	35,368,453
Accumulated remeasurement gain (loss) on retirement benefit obligation	19	73,979	(186,767)
Unrealized gain on financial assets at FVOCI		729	590,740
Total fund balance		74,093,194	70,883,952
		₱209,248,508	₱189,497,238

See Notes to the Financial Statements.

APR 2 9 2019

KASAGANA-KA MUTUAL BENEFIT ASSOCIATION, INC.

(A Non-stock, Not-for-profit Association)

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	Note	2018	2017
Revenue	*20*	**₱47,209,170**	₱41,346,878
Benefit expenses			
Allocation for liability on individual equity		**(11,077,657)**	(12,982,861)
Benefit/claims expenses - BLIP		**(8,485,519)**	(6,721,911)
Benefit/claims expenses - Equity value		**(7,020,748)**	(3,744,638)
Benefit/claims expenses - CLIP		**(1,844,000)**	(1,405,665)
Collection fees		**(4,921,533)**	(3,872,889)
Other expenses for members		**(224,681)**	(2,121,548)
Increase/decrease in aggregate reserve for trust liability		**(916,696)**	(786,748)
Increase/decrease in reserve for basic contingent fund		**(197,105)**	7,423
Increase/decrease in liability on individual equity		**—**	8,112,030
Increase/decrease in reserve for optional benefit		**(286,564)**	(75,514)
		(34,974,503)	(23,592,321)
Revenue before operating expense		**12,234,667**	17,754,557
Operating expenses	*21*	**(9,392,408)**	(8,491,024)
Income from operations		**2,842,259**	9,263,533
Interest income	*6,9,10*	**4,368,932**	4,187,796
Dividend income	*9*	**504,000**	504,000
Realized loss from redemption of available-for-sale investments	*9*	**(128,521)**	—
Net income		**7,586,670**	13,955,329
Other comprehensive income			
Item that will be reclassified to profit or loss:			
Unrealized gain (loss) on financial assets at FVOCI	*9*	**(590,011)**	196,944
Item that will not be reclassified to profit or loss:			
Actuarial gain (loss) on retirement benefit obligation	*19*	**260,746**	(15,988)
		(329,265)	180,956
Total comprehensive income		**₱7,257,405**	₱14,136,285

See Notes to the Financial Statements.

KASAGANA-KA MUTUAL BENEFIT ASSOCIATION, INC.

(A Non-stock, Not-for-profit Association)

STATEMENTS OF CHANGES IN FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	Fund balance (Note 17)		Accumulated remeasurement gain (loss) on retirement benefit obligation (Note 19)	Unrealized gain (loss) on financial assets at FVOCI (Note 9)	Total
	Restricted	Unrestricted			
As at January 1, 2017	₱22,977,037	₱35,483,562	(₱170,779)	₱393,796	₱58,683,616
Decrease in fund balance	(1,935,949)	–	–	–	(1,935,949)
Net income	–	13,955,329	–	–	13,955,329
Other comprehensive income	–	–	(15,988)	196,944	180,956
Restrictions	14,070,438	(14,070,438)	–	–	–
As at December 31, 2017	35,111,526	35,368,453	(186,767)	590,740	70,883,952
Decrease in fund balance	(4,048,163)	–	–	–	(4,048,163)
Net income	–	7,586,670	–	–	7,586,670
Other comprehensive income	–	–	260,746	(590,011)	(329,265)
Restrictions	14,372,511	(14,372,511)	–	–	–
As at December 31, 2018	**₱45,435,874**	**₱28,582,612**	**₱73,979**	**₱729**	**₱74,093,194**

See Notes to the Financial Statements.

KASAGANA-KA MUTUAL BENEFIT ASSOCIATION, INC.
(A Non-stock, Not-for-profit Association)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	Note	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income		₱7,586,670	₱13,955,329
Adjustments for:			
Increase in liability on individual equity value		10,934,911	4,834,593
Increase in aggregate reserve for trust liability		6,132,948	6,933,987
Depreciation	*12,21*	290,346	303,216
Retirement benefit cost	*19,21*	225,365	218,725
Amortization	*13,21*	122,083	122,083
Realized loss from redemption of financial assets at FVOCI	*9*	128,521	–
Dividend income	*9*	(504,000)	(504,000)
Interest income	*6,9,10*	(4,368,932)	(4,187,796)
Operating income before working capital changes		20,547,912	21,676,137
Decrease (increase) in:			
Receivables		(6,351,126)	(538,863)
Short-term investment		(6,051,351)	–
Other current assets		(229,518)	22,141
Increase (decrease) in:			
Trade and other payables		(385,059)	135,952
Basic contingent benefit reserve		83,814	88,202
Optional benefit reserve		286,737	76,073
Claims payable on basic contingent benefit		112,590	(96,364)
Net cash flows provided by operating activities		8,013,999	21,363,278
Interest income received		3,806,968	3,695,294
Dividend income received	*9*	504,000	504,000
Net cash provided by operating activities		12,324,967	25,562,572
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment	*12*	(1,238,896)	(164,930)
Acquisition of computer software	*13*	–	(112,449)
Acquisition of investment properties	*11*	(26,198,608)	(17,863,668)
Acquisition of financial assets at FVOCI	*9*	(5,000,000)	–
Increase in other noncurrent assets		(84,406)	90,945
Proceeds from redemption of financial assets at FVOCI	*9*	1,871,479	–
Net cash used in investing activities		(30,650,431)	(18,050,102)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in fund balance		(4,048,163)	(1,935,949)
Contributions to retirement benefit obligation	*19*	(588,532)	–
Net cash used in financing activities		(4,636,695)	(1,935,949)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(₱22,962,159)	₱5,576,521
CASH AND CASH EQUIVALENTS AS AT JANUARY 1		62,529,821	56,953,300
CASH AND CASH EQUIVALENTS AS AT DECEMBER 31	*6*	₱39,567,662	₱62,529,821

See Notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

1. Reporting entity

Kasagana-ka Mutual Benefit Association Inc. *(A Non-stock, Not-for-profit Association)* ("the Association") was organized and incorporated under the laws of the Republic of the Philippines and registered with the Securities and Exchange Commission (SEC) on June 29, 2006 per SEC Registration Number CN200610153. The Association is primarily engaged to promote the welfare of the poor; to extend financial assistance to its members in the form of death benefit, medical subsidy, pension and loan redemption assistance; and to ensure continued access to benefits and resources by actively involving the members in the direct management of the Association that will include implementation of policies and procedures geared towards sustainability and improved services.

The Association is a non-stock, non-profit association that no part of the income, which the Association may obtain as an incident to its operations, shall be distributed as dividends to its members, trustees or officers subject to the provisions of the Corporation Code on dissolution. Any profit obtained by the Association as a result of its operations, whenever necessary or proper shall be used for the furtherance of its purpose.

The Association's registered office address, which is also its principal place of business, is located at #5 Don Francisco St., Don Enrique Heights, Brgy. Holy Spirit, Quezon City.

2. Basis of preparation

Statement of compliance
The accompanying financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS are based on International Financial Reporting Standards issued by the International Accounting Standards Board (IASB). PFRS consist of PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations issued by the Philippine Financial Reporting Standards Council (FRSC).

The financial statements were approved and authorized for issuance by the Board of Trustees (BOT) on April 12, 2019.

Basis of measurement
The financial statements of the Association have been prepared on the historical cost basis, except for certain financial instruments which are carried at fair value and at amortized cost.

Functional and presentation currency
The financial statements are presented in Philippine peso, which is the functional currency of the Association.

3. Significant accounting policies

Adoption of New and Amended PFRS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Association adopted effective for annual periods beginning on or after January 1, 2018:

- PFRS 9, *Financial Instruments* - This standard replaces PAS 39, *Financial Instruments: Recognition and Measurement* (and all the previous versions of PFRS 9). It provides requirements for the classification and measurement of financial assets and liabilities, impairment, hedge accounting, recognition, and derecognition.

  - PFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which these are held and its contractual cash flow characteristics.

  - For financial liabilities, the most significant effect of PFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

  - For the impairment of financial assets, PFRS 9 introduces an "expected credit loss" model based on the concept of providing for expected losses at inception of a contract; recognition of a credit loss should no longer wait for there to be objective evidence of impairment.

  - For hedge accounting, PFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

  - The derecognition provisions are carried over almost unchanged from PAS 39.

  Based on the Association's analysis of its business model and the contractual cash flow characteristics of its financial assets and liabilities as at December 31, 2018, the Association has concluded that all of its financial assets and liabilities shall continue to be measured on the same basis as under PAS 39.

  The following table shows the original classification categories under PAS 39 and the new classification categories under PFRS 9 for each class of the Association's financial assets as at January 1, 2018:

	Classification under PAS 39	Classification under PFRS 9	Carrying Amount under PAS 39	Carrying Amount under PFRS 9
Cash and cash equivalents	Loans and receivables	Financial assets at amortized cost	₱62,529,821	₱62,529,821
Receivables	Loans and receivables	Financial assets at amortized cost	4,860,036	4,860,036
Rental deposit	Loans and receivables	Financial assets at amortized cost	100,040	100,040
Other funds and deposits	Loans and receivables	Financial assets at amortized cost	162,461	162,461
Investments in debt securities	Held-to-maturity investments	Financial assets at amortized cost	86,678,366	86,678,366
Financial assets at FVOCI	Available-for-sale investments	Financial assets at FVOCI	15,590,740	15,590,740

The Association assessed that the adoption of PFRS 9, specifically on determining impairment loss using simplified approach, has no impact on the carrying amounts of the Association's financial assets carried at amortized cost (and/or other comprehensive income).

- Amendments to PFRS 2, *Share-based Payment - Classification and Measurement of Share-based Payment Transactions* - The amendments clarify the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payment transactions, the accounting for share-based payment transactions with a net settlement feature for withholding tax obligations, and the effect of a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity settled.

- Amendments to PFRS 4, *Insurance Contracts - Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts* - The amendments give all insurers the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when PFRS 9, *Financial Instruments* is applied before implementing PFRS 17, *Insurance Contracts* ('the overlay approach'). Also, entities whose activities are predominantly connected with insurance are given an optional temporary exemption (until 2021) from applying PFRS 9. Thus, continuing to apply PAS 39, *Financial Instruments: Recognition and Measurement* instead ('the deferral approach').

  Based on the Association's assessment of its business activities as at December 31, 2018, it has concluded that it has met the predominance criterion for it to apply the deferral approach set under PFRS 4, *Insurance Contracts*. Under this approach, the Association did not apply PFRS 9, *Financial Instruments*, on its qualifying financial assets and has continued to apply PAS 39, *Financial Instruments: Recognition and Measurement*, except for the requirement to present in other comprehensive income the changes in credit risk on liabilities designated as at fair value through profit or loss. However, the financial statements include additional disclosures to make it comparable with companies applying PFRS 9, *Financial Instruments*.

  The Association expects to apply the temporary exemption until the effectivity of PFRS 17, Insurance Contracts, on January 1, 2021.

- PFRS 15, Revenue from Contracts with Customers - The new standard replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue*, and their related interpretations. It establishes a single comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (e.g. the point at which revenue is recognized, accounting for variable considerations, costs of fulfilling and obtaining a contract, etc.).

  Based on the Association's assessment, all of the Association's contracts with customers generally undertake to provide single performance obligation at a fixed price which is mainly rendering of services. Thus, the allocation of transaction price to the single performance obligation is not applicable. The Association recognizes revenue as the goods are transferred to the customer at the point of delivery (or as the services are rendered over time). Accordingly, the adoption of PFRS 15 has no impact in the timing of the Association's revenue recognition.

- Amendments to PFRS 15, *Revenue from Contract with Customers - Clarification to PFRS 15* - The amendments provide clarifications on the following topics: (a) identifying performance obligations; (b) principal versus agent considerations; and (c) licensing. The amendments also provide some transition relief for modified contracts and completed contracts.

- Amendments to PAS 28, *Investments in Associates and Joint Ventures - Measuring an Associate or Joint Venture at Fair Value* - The amendments are part of the Annual Improvements to PFRS 2014-2016 Cycle and clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, mutual fund, unit trust or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

- Amendments to PAS 40, *Investment Property - Transfers of Investment Property* - The amendments clarify that transfers to, or from, investment property (including assets under construction and development) should be made when, and only when, there is evidence that a change in use of a property has occurred.

- Philippine Interpretation IFRIC 22, *Foreign Currency Transactions and Advance Consideration* - The interpretation provides guidance clarifying that the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency is the one at the date of initial recognition of the non-monetary prepayment asset or deferred income liability.

The adoption of the foregoing new and amended PFRS did not have any material effect on the financial statements. Additional disclosures have been included in the notes to financial statements, as applicable.

<u>New and Amended PFRS Issued But Not Yet Effective</u>
Relevant new and amended PFRS which are not yet effective for the year ended December 31, 2018 and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2019:

- PFRS 16, *Leases* - This standard will replace PAS 17, *Leases* and its related interpretations. The most significant change introduced by the new standard is that almost all leases will be brought onto lessees' statement of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance lease is retained.

  For the Association's non-cancellable operating lease commitments as at December 31, 2018, a preliminary assessment indicates that these arrangements will continue to meet the definition of a lease under PFRS 16. Thus, the Association will have to recognize a right-of-use asset and a corresponding liability in respect of all these leases - unless these qualify for low value or short-term leases upon the application of PFRS 16 - which might have a significant impact on the amounts recognized in the Association's financial statements. However, it is not practicable to provide a reasonable estimate of that effect until the Association complete the review.

- Amendments to PFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation* - The amendments allow entities to measure particular prepayable financial assets with negative compensation at amortized cost or at fair value through other comprehensive income (instead of at fair value through profit or loss) if a specified condition is met. It also clarifies the requirements in PFRS 9, *Financial Instruments* for adjusting the amortized cost of a financial liability when a modification or exchange does not result in its derecognition (as opposed to adjusting the effective interest rate).

- Amendments to PAS 28, *Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures* - The amendments clarify that long-term interests in an associate or joint venture that, in substance, form part of the entity's net investment but to which the equity method is not applied, are accounted for using PFRS 9, *Financial Instruments*.

- Amendments to PAS 19, *Employee Benefits - Plan Amendment, Curtailment or Settlement* - The amendments specify how companies remeasure a defined benefit plan when a change - an amendment, curtailment or settlement - to a plan takes place during a reporting period. It requires entities to use the updated assumptions from this remeasurement to determine current service cost and net interest cost for the remainder of the reporting period after the change to the plan.

- Amendments to PFRS 3, *Business Combinations* and PFRS 11, *Joint Arrangements - Previously Held Interest in a Joint Operation* - The amendments are part of the Annual Improvements to PFRS 2015-2017 Cycle. The amendment to PFRS 3, *Business Combinations* clarifies that when an entity obtains control of a business that is a joint operation, the acquirer applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the joint operation at its acquisition-date fair value. The amendment to PFRS 11, *Joint Arrangements* clarifies that when an entity obtains joint control of a business that is a joint operation, the previously held interests in that business are not remeasured.

- Amendments to PAS 12, *Income Taxes - Income Tax Consequences of Payments on Financial Instruments Classified as Equity* - The amendments are part of the Annual Improvements to PFRS 2015-2017 Cycle and clarify that income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distribution to owners and thus, should be recognized in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

- Amendments to PAS 23, Borrowing Costs - Borrowing Costs Eligible for Capitalization - The amendments are part of the Annual Improvements to PFRS 2015-2017 and clarify that in calculating the capitalization rate on general borrowings, if any specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally.

Effective for annual periods beginning on or after January 1, 2021:

- PFRS 17, *Insurance Contracts* - This standard will replace PFRS 4, *Insurance Contracts*. It requires insurance liabilities to be measured at current fulfillment value and provides a more uniform measurement and presentation approach to achieve consistent, principle-based accounting for all insurance contracts. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued.

Deferred effectivity -

- Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* - The amendments address a current conflict between the two standards and clarify that a gain or loss should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the financial statements of the Association.

Current versus noncurrent classification

The Association presents assets and liabilities in the statements of financial position based on current and noncurrent classification. An asset is current when it is: (a) expected to be realized or intended to be sold or consumed in the normal operating cycle; (b) held primarily for the purpose of trading; (c) expected to be realized within 12 months after the reporting period; or (d) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

A liability is current when it is: (a) expected to be settled in the normal operating cycle; (b) held primarily for trading; (c) due to be settled within 12 months after the reporting period; or (d) there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

The Association classifies all other assets and liabilities as noncurrent. Deferred tax assets and liabilities are classified as noncurrent.

Financial assets and financial liabilities

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

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

"Day 1" Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Association recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Association deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Association determines the appropriate method of recognizing the "Day 1" difference.

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

Financial assets and liabilities at FVPL. Financial assets and liabilities at FVPL are either classified as held for trading or designated at FVPL. A financial instrument is classified as held for trading if it meets either of the following conditions:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

This category includes equity instruments which the Association had not irrevocably elected to classify at FVOCI at initial recognition. This category includes debt instruments whose cash flows are not "solely for payment of principal and interest" assessed at initial recognition of the assets, or which are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

The Association may, at initial recognition, designate a financial asset or financial liability meeting the criteria to be classified at amortized cost or at FVOCI, as a financial asset or financial liability at FVPL, if doing so eliminates or significantly reduces accounting mismatch that would arise from measuring these assets or liabilities.

After initial recognition, financial assets at FVPL and held for trading financial liabilities are subsequently measured at fair value. Unrealized gains or losses arising from the fair valuation of financial assets at FVPL and held for trading financial liabilities are recognized in profit or loss.

For financial liabilities designated at FVPL under the fair value option, the amount of change in fair value that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch. Amounts presented in other comprehensive income are not subsequently transferred to profit or loss.

As at December 31, 2018 and 2017, the Association does not have financial assets and liabilities at FVPL.

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

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

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

As at December 31, 2018 and 2017, the Association's cash and cash equivalents, receivables, short term investment, rental deposits, other funds and deposits and investments in debt securities are included under this category (Notes 6, 7 and 10).

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

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

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

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

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

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

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

Reclassification

The Association reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in OCI.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in OCI, and any difference between the new amortized cost and maturity amount, are amortized to profit or loss over the remaining life of the investment using the effective interest method. If the financial asset is subsequently impaired, any gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at FVOCI, its fair value at the reclassification date becomes its new gross carrying amount. Meanwhile, for a financial asset reclassified out of the financial assets at FVOCI category to financial assets at FVPL, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

Impairment of financial assets at amortized cost

The Association records an allowance for "expected credit loss" (ECL). ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Association expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

For debt instruments measured at amortized cost, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Association compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

Derecognition of financial assets and liabilities

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

- the right to receive cash flows from the asset has expired;
- the Association retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Association has transferred its right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

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

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

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

Offsetting of financial assets and liabilities
Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statements of financial position.

Classification of financial instrument between liability and equity
A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Association; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

Insurance contracts
Product classification
Insurance contracts under which the Association (the insurer) has accepted significant insurance risk from another party (the policy holders) by agreeing to compensate the policy holders if a specified uncertain future event (the insured event) adversely affects the policy holder. As a general guideline, the Association determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risks.

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

Benefits and claims
Claims consist of benefits and claims paid to policyholders, which include excess gross benefit claims for unit-link insurance contract. Death claims, surrenders and non life insurance claims are recorded on the basis of notifications received. Maturities are recorded when due.

Liability adequacy tests
At each financial reporting date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities net of reinsurance assets. In performing these tests, current best estimates of future contractual cash flows and claims handling and administration expenses, as well as investment income from assets backing such liabilities are used. Any deficiency is immediately recognized in the profit or loss.

Cash and cash equivalents
Cash includes cash on hand and in banks which are stated at face value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method (EIR), less provision for impairment.

Short-term investments
Short-term investments are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Other current assets
Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to statement of comprehensive income as they are consumed in operations or expire with the passage of time.

Prepayments are classified in the statement of financial position as current assets when the cost of goods or services related to the prepayment are expected to be incurred within one year or the Association's normal operating cycle, whichever is longer. Otherwise, prepayments are classified as noncurrent assets.

Other current assets are recognized when the Association expects to receive future economic benefit from them and the amount can be measured reliably. Other assets are classified in the statement of financial position as current assets when the cost of goods or services related to the assets are expected to be incurred within one year or the Association's normal operating cycle, whichever is longer. Otherwise, other assets are classified as noncurrent assets.

Investment properties
Investment property consists of property that is being constructed for future use as investment property. Investment property, except for land, is measured at cost including transaction costs less accumulated depreciation and any accumulated impairment in value. The carrying amount includes the cost of replacing part of an existing investment property at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Land is stated at cost less any impairment in value.

Depreciation of building, which commences when the assets are available for their intended use, is computed using the straight-line method over the estimated useful life of 20 to 40 years.

The useful lives and depreciation method are reviewed and adjusted, if appropriate, at each reporting date.

Investment property is derecognized either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement and disposal of investment property is recognized in the separate statements of income in the period of retirement and disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of the owner-occupation or commencement of development with a view to sell.

For a transfer from investment property to owner-occupied property or inventories, the cost of property for subsequent accounting is its carrying amount at the date of change in use. If the property occupied by the Company as an owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of the property and equipment at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing.

The initial cost of property and equipment comprises its construction cost or purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Cost also includes any related asset retirement obligation (ARO). Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period the costs are incurred. Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the items will flow to the Association and the cost of the items can be measured reliably.

Depreciation, which commences when the assets are available for their intended use, is computed using the straight-line method over the following estimated useful lives of the assets:

	Number of Years
Office furniture and fixtures	5 years
Transportation equipment	5 years
Computer equipment	3 years

The remaining useful lives and depreciation method are reviewed and adjusted periodically, if appropriate, to ensure that such periods and method of depreciation are consistent with the expected pattern of economic benefits from the items of property and equipment.

The carrying amounts of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

Fully depreciated assets are retained in the accounts until they are no longer in use.

An item of property and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising from the retirement and disposal of an item of property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the separate statements of income in the period of retirement and disposal.

Computer software

Computer software that are not an integral part of the hardware are classified as intangible assets.

Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates.

All other expenditure is expensed as incurred.

Software asset is amortized on a straight line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software assets for the current and comparative periods range from three to five years.

Amortization methods, useful lives are reviewed at each reporting date and adjusted if appropriate.

Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Trademarks and other intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the separate statements of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the separate statements of income. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (a) in the principal market for the asset or liability; or (b) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Association.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The Association uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the separate financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognized in the separate financial statements on a recurring basis, the Association determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization at the end of each reporting period.

For the purpose of fair value disclosures, the Association has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. These are classified as current liabilities if payment is due within one year or less (or within the normal operating cycle of the business whichever is longer); otherwise, they are presented as noncurrent liabilities.

Accrued expenses are liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with supplier, including amounts due to employees. It is necessary to estimate the amount or timing of accruals, however, the uncertainty is generally much less than for provisions.

Liability for incurred policy benefit

A liability for incurred policy benefits relating to life insurance contracts in force is accrued when premium revenue is recognized.

The Association's aggregate reserve for life policies, policy and contract claims payable, applicant's deposit and other funds and premium deposit fund are computed annually based on the approved valuation method by the Insurance Commission (IC) and certified to by an independent actuary.

Liability adequacy test

The Association assesses at each reporting date whether its recognized insurance liabilities are adequate, using the current estimates of future cash flows under its insurance contracts. If that assessment shows that the carrying amount of its insurance liabilities is inadequate in the light of the estimated future cash flows, the entire deficiency shall be recognized in profit or loss.

The liability is derecognized when the contract expires, is discharged or is cancelled.

Basic contingent benefit reserves

Basic contingent benefit reserves represent the total actuarial reserve set-up by the Association pertaining to the basic life benefit that is in force as at the end of the accounting period. It refers to the amount of liability which the Association establishes for a certificate to meet the contractual obligation as it falls due.

Liability on individual fund value

Upon termination of membership, a member who has been with the Association at least three (3) full years shall be entitled to an equity value equivalent to at least fifty percent (50%) of the total weekly contributions collected from him.

The Association's Board of Trustees shall set up each year sufficient reserves for the payment of claims and other obligations in accordance with actuarial procedures approved by the Insurance Commission. If the reserves become impaired, the Board of Trustees shall require all members' equitable proportion of such indebtedness against the members and draw interest not exceeding five percent (5%) per annum compounded annually.

Withdrawal from the funds of the Association, whether by check or any other instruments, is signed by at least two (2) persons designated by the unanimous vote of the Association's Board of Trustees.

Optional benefit reserve

Optional benefit reserve represents the total actuarial reserve set up by the Association pertaining to the policies under optional benefit that is in force as at the end of the accounting period. It refers to the amount of liability which the Association establishes for an optional policy to meet the contractual obligation as it falls due.

Claims payable on basic contingent fund

Claims payable on basic contingent fund represents the sum of the individual claims on membership certificates that are due and have already been approved for payment but, for one reason or another, have not actually been paid. This includes check already issued to beneficiaries but not yet released as of the end of the financial reporting period.

Retirement benefit costs

The liability or asset recognized in the statement of financial position in respect of defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually using projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using 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 to the terms of all related pension obligations.

Retirement benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Provisions and contingencies
Provisions are recognized when: (a) the Association has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of 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, the increase in the provision due to the passage of time is recognized as finance cost. 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 charged against profit or loss, net of any reimbursement.

Contingent liabilities are not recognized in the financial statements. These are disclosed in the notes to financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes to financial statements when an inflow of economic benefits is probable.

Fund balance
Fund balance refers to the residual interest in the assets of the Association after deducting all its liabilities. This represents the accumulated earnings of the Association reduced by whatever losses the Association may incur during a certain accounting period.

Restricted fund balance
Restricted fund balance are those earnings earmarked and separated by the Association for specific purpose as approved by the BOT.

Unrestricted fund balance
Unrestricted fund balance include all current and prior period results of operations as disclosed in the statements of changes in fund balance.

Revenue recognition
Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Association perform its obligations; (b) the Association's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Association's performance does not create an asset with an alternative use to the Association and the Association has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Association also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Association has assessed that it acts as a principal in all of its revenue sources.

The following specific recognition criteria must also be met before revenue is recognized.

Interest from bank deposit accounts is recognized as the interest is earned. Interest income is presented net of tax unless final tax is deemed significant.

Contribution and fees
Members are charged a one-time thirty pesos (₱30) application fee for KDCI members and one hundred pesos (₱100) for associate members in order to cover the expenses incurred in processing their application. This fee is neither refundable nor included in determining the member's accumulated and refundable contributions. Membership fees are recognized upon the admission of a qualified member to the Association.

Members are charged twenty pesos (₱20) contribution per week for the payment of death and total disability of a member, and death of any member's legal spouse, or any of the members' legitimate and/or legally adopted children in accordance with the Association's table of Life Insurance Benefits. Twenty percent (20%) of the weekly contribution from its members is deducted as General Administrative Funds and any balance is used for payment of mutual benefits.

The contribution may be adjusted by the Board of Trustees as may be necessary to maintain the funds of the Association at a level adequate to meets its benefit obligations or commitments under the pain.

Interest Income
For all financial instruments measured at amortized cost, interest income is recorded using the EIR which is the rate that exactly discounted the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Dividend income
Income from equity investments is recognized when received.

Other income
Income from other sources is recognized when earned.

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

Income taxes
The Association is exempted from income tax under Section 30 (c) of the National Internal Revenue Code as a non-stock association organized and operated exclusively for charitable and cultural purposes no part of its net income or asset shall belong to or inure to the benefit of any member, organizer, officer or any specific person. Interest earned from the placement of Association funds are, however, subject to final tax. The interest income shown in the financial statement is net of final tax.

Operating leases
Association *as lessee*
Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Related parties
Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individual or corporate entities. The key management personnel of the Association and post-employment benefit plans for the benefit of the Association's employees are also considered to be related parties.

Events after the statement of financial position date
Post year-end events up to the date the financial statements are authorized for issue by the BOD that provide additional information about the Association's financial position at the financial reporting date (adjusting events) are recognized in the financial statements when material. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

4. Use of Judgments, Estimates and Assumptions

The preparation of the financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses reported in the separate financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future period affected.

Judgments
In the process of applying the accounting policies, the Association has made the following judgments, apart from those involving estimations, which have an effect on the amounts recognized in the separate financial statements:

Operating lease - Association as a lessee. The Association has entered into a contract of lease for its office space and warehouse it occupies. The Association has determined that all the significant risks and rewards of ownership on these properties are retained by the lessor (Note 22).

Classifying financial instruments. The Association exercises judgments in classifying a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability, or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset or liability. The substance of a financial instrument, rather than its legal form, governs its classification in the separate statements of financial position.

Provisions and contingencies. The Association, in the ordinary course of business, sets up appropriate provisions for its present legal or constructive obligations, if any, in accordance with its policies on provisions and contingencies. In recognizing and measuring provisions, management takes risks and uncertainties into account.

As at December 31, 2018 and 2017, management assessed that no provisions nor contingencies are necessary to be recognized or disclosed, respectively, in the financial statements.

Estimates and assumptions
The key estimates and assumptions used in the separate financial statements are based upon the Association's evaluation of relevant facts and circumstances as at the date of the separate financial statements. Actual results could differ from such estimates.

Fair value measurements. A number of the Association's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities.

The Association has an established control framework with respect to the measurement of fair values. This includes a valuation team that has the overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then the valuation team assesses the evidence obtained to support the conclusion that such valuations meet the requirements of PFRS, including the level in the fair value hierarchy in which such valuations should be classified.

The Association uses market observable data when measuring the fair value of an asset or liability. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques.

If the inputs used to measure the fair value of an asset or a liability can be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy based on the lowest level input that is significant to the entire measurement.

The Association recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Estimating allowance for impairment losses on receivables. Since receivables do not contain any significant financing component in accordance with PFRS 15, the Association applied the simplified approach when estimating its allowance for impairment losses.

At initial and after initial recognition, the Association recognizes loss allowance equal to 12-month expected credit losses. These are the credit losses that are expected from default events that are possible within 12 months from the report date. Default events include existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the customer's ability to meet its debt obligations or an actual or expected significant adverse change in the regulatory, economic or technological environment of the customer.

The amount and timing of the recorded expenses for any period would differ if the Association made different judgments or utilized different methodologies. An increase in the allowance for impairment losses would increase the recorded costs and expenses and decrease current assets

The carrying value of receivables amounted to ₱11,773,126 and ₱4,860,036 as at December 31, 2018 and 2017, respectively (Note 7).

Management believes that the carrying amount of receivables approximate its recoverable amount, thus, no allowance for doubtful accounts recognized in 2018 and 2017.

Impairment of non-financial assets. The Association assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Association considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

The Association recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the value in use approach. Recoverable amounts are estimated for individual assets or, if not possible, for the cash-generating unit to which the asset belongs.

The carrying values of property and equipment and computer software are disclosed in Notes 12 and 13.

Estimating useful lives of property and equipment, investment properties and intangible assets. The Association estimates the useful lives of its property and equipment, investment properties and software cost based on the period over which these properties are expected to be available for use. The estimated useful lives of the properties are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these properties. It is possible that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The estimated useful lives are disclosed in Note 3 to the financial statements.

Valuation of retirement benefits liability. The cost of defined benefit pension plan as well as the present value of the pension obligation was determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Further details on the retirement liability are provided in Note 19 to the financial statements.

As at December 31, 2018 and 2017, the net retirement liability amounted to ₱199,331 and ₱823,244, respectively (Note 19).

5. Financial Risk Management Objectives and Policies

The main risks arising from the Association's financial instruments are credit risk, liquidity risk and price risk. There is no change in the financial risk management objectives and policies of the Company.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The receivable balances are monitored on an ongoing basis with the result that the Association's exposure to impairment is not significant.

Member credit risk is managed by managing and analyzing the credit risk for each new member before standard payment and delivery terms and conditions are offered. Outstanding receivables are regularly monitored. The credit quality of the Association's financial assets that are neither past due nor impaired is considered to be good quality and expected to be collectible without incurring any credit losses.

Credit risk from balances with banks is managed by ensuring that the Association's deposit arrangements are with reputable and financially sound counterparties.

The Association's exposure to credit risk arises from default of other counterparties, with a maximum exposure equal to the carrying amounts as follows:

	Note	2018	2017
Cash and cash equivalents*	6	₱39,560,662	₱62,522,821
Receivables	7	11,773,126	4,860,036
Short term investment	8	6,051,351	–
Rental deposit		102,020	100,040
Other funds and deposits		246,867	162,461
Financial assets at FVOCI	9	18,000,729	15,590,740
Investments in debt securities	10	86,678,366	86,678,366
		₱162,413,121	₱169,914,464

Cash and cash equivalents exclude cash on hand amounting to ₱7,000 in both years.

The following table provides an analysis of the age of the financial assets that are past due but not impaired and those financial assets that are individually determined to be impaired as at the end of the reporting period:

December 31, 2018							
		Neither impaired nor past due	Past due but not yet impaired				
	Total	Current	1 to 60 days	61 to 90 days	91 to 120 days	More than 120 days	Impaired
Financial assets at amortized cost							
Cash and cash equivalents	₱39,560,662	₱39,560,662	₱–	₱–	₱–	₱–	₱–
Receivables	11,773,126	7,421,592	4,315,977	35,557	–	–	–
Short term investment	6,051,351	6,051,351	–	–	–	–	–
Rental deposit	102,020	102,020	–	–	–	–	–
Other funds and deposits	246,867	246,867	–	–	–	–	–
Investments in debt securities	86,678,366	86,678,366	–	–	–	–	–
Financial assets at FVOCI	18,000,729	18,000,729	–	–	–	–	–
	₱162,413,121	₱158,061,587	₱4,315,977	₱35,557	₱–	₱–	₱–

December 31, 2017							
		Neither impaired nor past due	Past due but not yet impaired				
	Total	Current	1 to 60 days	61 to 90 days	91 to 120 days	More than 120 days	Impaired
Financial assets at amortized cost							
Cash and cash equivalents	₱62,522,821	₱62,522,821	₱–	₱–	₱–	₱–	₱–
Receivables	4,860,036	3,320,132	1,343,104	196,800	–	–	–
Rental deposit	100,040	100,040	–	–	–	–	–
Other funds and deposits	162,461	162,461	–	–	–	–	–
Investments in debt securities	86,678,366	86,678,366	–	–	–	–	–
Financial assets at FVOCI	15,590,740	15,590,740	–	–	–	–	–
	₱169,914,464	₱168,374,560	₱1,343,104	₱196,800	₱–	₱–	₱–

The credit quality of the Association's financial assets is evaluated using internal credit rating. Financial assets are considered as high grade if the counter parties are not expected to default in settling their obligations, thus, credit risk exposure is minimal. These counter parties include banks, related parties and members who pay on or before due date.

Credit quality per class of financial assets

The Association's bases in grading its financial assets are as follows:

High grade - These are receivables which have a high probability of collection (the counterparty has the apparent ability to satisfy its obligation and the security on the receivables are readily enforceable).

Standard - These are receivables where collections are probable due to the reputation and the financial ability of the counterparty to pay but have been outstanding for a certain period of time.

Substandard - These are receivables that can be collected provided the Association makes persistent effort to collect them.

The table below shows the credit quality by class of financial assets (gross of allowance for credit losses) of the Association based on their historical experience with the corresponding third parties as of December 31, 2018 and 2017:

	2018						
	Neither Past Due nor Impaired						
	High Grade	Standard Grade	Substandard Grade	Unrated	Past Due but Not Impaired	Impaired	Total
Financial assets at amortized cost							
Cash and cash equivalents	₱39,560,662	₱–	₱–	₱–	₱–	₱–	₱39,560,662
Receivables	7,421,592	–	–	–	4,351,534	–	11,773,126
Short term investment	6,051,351	–	–	–	–	–	6,051,351
Rental deposit	102,020	–	–	–	–	–	102,020
Other funds and deposits	246,867	–	–	–	–	–	246,867
Investments in debt securities	86,678,366	–	–	–	–	–	86,678,366
Financial assets at FVOCI	18,000,729	–	–	–	–	–	18,000,729
	₱158,061,587	₱–	₱–	₱–	₱4,351,534	₱–	₱162,413,121

	2017						
	Neither Past Due nor Impaired						
	High Grade	Standard Grade	Substandard Grade	Unrated	Past Due but Not Impaired	Impaired	Total
Financial assets at amortized cost							
Cash and cash equivalents	₱62,522,821	₱–	₱–	₱–	₱–	₱–	₱62,522,821
Receivables	3,320,132	–	–	–	1,539,904	–	4,860,036
Rental deposit	100,040	–	–	–	–	–	100,040
Other funds and deposits	162,461	–	–	–	–	–	162,461
Investments in debt securities	86,678,366	–	–	–	–	–	86,678,366
Financial assets at FVOCI	15,590,740	–	–	–	–	–	15,590,740
	₱168,374,560	₱–	₱–	₱–	₱1,539,904	₱–	₱169,914,464

Impairment assessment

Impairment losses are recognized based on the results of specific (individual) and collective assessment of credit exposures. Impairment has taken place when there is a presence of known difficulties in the payments of obligation by counterparties. This and other factors, either singly or in tandem with other factors, constitute observable events or data that meet the definition of objective evidence of impairment.

The Association applied specific (individual) assessment methodology in assessing and measuring impairment.

Specific (individual) assessment

The Association determines the allowances appropriate for each individually significant loan on an individual basis. Items considered when determining amounts of allowances include payment and collection history, timing of expected cash flows and realizable value of collateral, if any.

The Association sets criteria for specific loan impairment testing and uses the discounted cash flow method to compute for impairment loss. Accounts subjected to specific impairment and are found to be impaired shall be excluded from the collective impairment computation.

Liquidity risk

Liquidity risk refers to the risk that the Association will not be able to meet its financial obligations as these fall due and lack of funding to finance its growth and capital expenditures and working capital requirements.

The Association's approach to manage its liquidity profile are to ensure that adequate funding is available at all times; to meet commitments as these arise without incurring unnecessary costs; and to be able to access funding when needed.

The following summarizes the maturity profile of the Association's non-derivative financial liabilities based on contractual undiscounted payments.

	December 31, 2018					
	Note	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Trade and other payables*	*14*	₱638,416	₱–	₱–	₱–	₱638,416
Liability on individual equity value	*15*	5,562,364	–	–	–	5,562,364
Aggregate reserve for trust liability	*15*	7,026,181	–	–	–	7,026,181
Basic contingent benefit reserve	*15*	372,525	–	–	–	372,525
Optional benefit reserve	*15*	1,111,216	–	–	–	1,111,216
Claims payable on basic contingent benefit	*16*	502,499	–	–	–	502,499
		₱15,213,201	₱–	₱–	₱–	₱15,213,201

**excluding government payable*

	December 31, 2017					
	Note	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Trade and other payables*	*14*	₱980,006	₱–	₱–	₱–	₱980,006
Liability on individual equity value	*15*	4,064,147	–	–	–	4,064,147
Aggregate reserve for trust liability	*15*	6,865,887	–	–	–	6,865,887
Basic contingent benefit reserve	*15*	288,711	–	–	–	288,711
Optional benefit reserve	*15*	824,479	–	–	–	824,479
Claims payable on basic contingent benefit	*16*	389,909	–	–	–	389,909
		₱13,413,139	₱–	₱–	₱–	₱13,413,139

**excluding government payable*

Capital risk management
The primary objective of the Association's capital management is to ensure its ability to continue as a going concern and that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

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

The Association monitors capital on the basis of the debt-to-equity ratio, which is calculated as total debt divided by total equity. Total debt is equivalent to total liabilities shown in the statement of financial position. Total equity comprises all components of equity including share capital and related earnings.

	2018	2017
Debt	₱135,155,314	₱118,613,286
Cash and cash equivalents	(39,567,662)	(62,529,821)
Net Debt	95,587,652	56,083,465
Equity	74,093,194	70,883,952
Net debt to equity ratio	1:1.29	1:0.79

There were no changes in the Association's approach to capital management during the year.

Margin of Solvency (MOS)

The Association is required to maintain at all times an MOS for life insurance business of ₱500,000 or ₱2.00 per thousand of the total amount of its insurance in force as of the preceding calendar year on all policies, except term insurance, whichever is higher.

The MOS shall be the excess of the value of its admitted assets (as defined under the IC Code), exclusive of its paid-up capital, over the amount of its liabilities, unearned premiums and reinsurance reserves. As at December 31, 2018 and 2017, the Association's MOS ratio based on its calculations are 139.12% and 144.50%, respectively. The final amount of the MOS can be determined only after the accounts of the Association have been examined by the IC specifically as to admitted and non-admitted assets as defined under the same Code.

The surplus available for MOS for the Association follows:

	2018	2017
Admitted assets	₱207,305,157	₱187,199,000
Admitted liabilities	135,155,314	118,613,286
Net worth	₱72,149,843	₱68,584,714

As at December 31, 2018 and 2017, the estimated non-admitted assets of the Association's life operations, as defined under the Code, which are included in the accompanying statements of financial position follows:

	2018	2017
Transportation equipment	₱948,125	₱39,993
Other current assets	547,807	218,248
Receivables	404,766	687,095
Office furniture and fixture	42,653	43,131
Software and system development	–	1,209,732
Total non-admitted assets	₱1,943,351	₱2,198,199

If an insurance association fails to meet the minimum required MOS, the IC is authorized to suspend or revoke all certificates of authority granted to such companies, its officers and agents, and no new business shall be done by and for such Association until its authority is restored by the IC.

Price risk

The *Association's* price risk exposure at year-end relates to financial assets and liabilities whose values will fluctuate as a result of changes in market prices, principally, AFS financial assets. Such investment securities are subject to the price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market.

The Association's investments are regulated under the pertinent provisions of Presidential Decree No. 612, otherwise known as The Insurance Code of the Philippines. The Insurance Code generally requires all insurance companies to obtain prior approval of the IC for any and all of their investments. It further requires companies to submit to the IC a monthly report on all investments made during the previous month. The IC reviews the investments and may suggest or require the immediate sale or disposal of investments deemed too risky.

For equity investments, Section 200 of the Insurance Code further provides, among other things that insurance companies may only invest in shares of Philippine corporations which have prior three-year dividend payment record. Moreover, the same section limits exposure to any one institution equal to 10% of an insurer's total admitted assets.

The following table shows the equity impact of reasonable possible change in the fair values of the Association's investments as of December 31, 2018 and 2017 (all other variables held constant), respectively.

	2018		2017	
	Volatility	**Effect on Total Comprehensive Income**	Volatility	Effect on Total Comprehensive Income
Available-for-sale investments	**1%**	**₱10,238**	1%	₱11,459
	-1%	**(10,238)**	-1%	(11,459)

Guaranty fund

As a mutual benefit association, the IC also requires the Association to possess a guaranty fund of ₱5.00 million. This minimum amount shall be maintained at all times and it must be increased by an amount equivalent to 5% of the Association's gross premium collections until the guaranty fund reaches 12.5% of the minimum paid up capital for domestic life insurance companies or ₱125.00 million. As at December 31, 2018 and 2017, the Association has a total of ₱24,265,216 and ₱ 21,995,687 representing guaranty fund which is deposited with the IC.

6. Cash and cash equivalents

This account consists of:

	2018	2017
Cash on hand	**₱7,000**	₱7,000
Cash in banks	**25,838,466**	15,214,926
Cash equivalents	**13,722,196**	47,307,895
	₱39,567,662	₱62,529,821

Cash and cash equivalents earn interest at the prevailing bank deposit rates. Interest earned in 2018 and 2017 amounted to ₱185,527 and ₱194,159, respectively.

7. Receivables

This account consists of:

	Note	2018	2017
Unremitted members' contribution dues and fees			
Related party	18	₱8,280,052	₱3,176,595
Third party		689,014	–
Unremitted premiums			
Related party	18	1,739,564	503,845
Third party		97,765	–
Accrued interest income		561,964	492,502
Due from officers and employees		74,778	53,779
Receivable KDCI Inc.		52,798	290,495
Advances to employees		10,001	152,875
Other receivables		267,190	189,945
		₱11,773,126	₱4,860,036

Unremitted members' contributions, dues and fees represents amount collected by partner individual/ institutions on membership certificates but not yet remitted as at the end of the financial reporting period.

Unremitted premium represents gross premiums collected by partner individuals/institutions on all optional policies but not yet remitted as at the end of the financial reporting period.

Based on management's evaluation, the Association's receivables are fully collectible, thus, no allowance for impairment is necessary as at December 31, 2018 and 2017.

8. Short-term investment

Short-term investment pertain to treasury bill with a maturity date that is less than twelve months after reporting period amounting to ₱6,051,351.

9. Financial assets at FVOCI

This account consists of:

	2018		
	No. of Shares	Acquisition Cost	Fair Value
Petron preferred shares series 2A	8,000	₱8,000,000	₱7,840,000
Save and learned fixed income fund	2,348,914	5,000,000	5,188,751
BPI unit investment	50,040	5,000,000	4,971,978
		₱18,000,000	₱18,000,729

	2017		
	No. of Shares	Acquisition Cost	Fair Value
Petron preferred shares series 2A	8,000	₱8,000,000	₱8,480,000
Save and learned fixed income fund	2,348,914	5,000,000	5,205,193
Sun life prosperity GS fund	1,229,861	2,000,000	1,905,547
		₱15,000,000	₱15,590,740

In 2018, the Association made a redemption of its investment in Sun life prosperity GS fund with a net investment value amounting to ₱1,871,479, which resulted to a realized loss amounting to ₱128,521.

The Association also acquired additional investments amounting to ₱5,000,000.

The Association recognized an unrealized loss amounting to ₱590,011 and unrealized gain amounting to ₱196,944 in the statements of comprehensive income in 2018 and 2017, respectively.

Dividend income earned amounted to ₱504,000 in both years.

Interest earned in 2018 and 2017 amounting to ₱289,084 and ₱214,334, respectively.

10. Investments in debt securities

The account consists of:

	2018	2017
Government security	₱66,178,366	₱66,178,366
Corporate bond	20,500,000	20,500,000
	₱86,678,366	₱86,678,366

Interest earned in 2018 and 2017 amounted to ₱3,894,321 and ₱3,779,303, respectively. Interest rates on these investments range from 3.25% to 8.125%.

Based on management's assessment, there is no indication of impairment in held-to-maturity investments in 2018 and 2017.

11. Investment properties

The details of and movements in this account are presented below:

	2018		
	Land	Construction in progress	Total
Cost			
At January 1	₱16,267,097	₱1,596,571	₱17,863,668
Additions	–	26,198,608	26,198,608
	₱16,267,097	₱27,795,179	₱44,062,276

	2017		
	Land	Construction in progress	Total
Cost			
At January 1	₱–	₱–	₱–
Additions	₱16,267,097	1,596,571	17,863,668
	₱16,267,097	₱1,596,571	₱17,863,668

The fair market value of land amounted to ₱27,972,083 as at December 31, 2018. This is classified under Level 3 of the fair value hierarchy.

12. Property and equipment, net

The details of and movements in this account are presented below:

	Note	Transportation equipment	Computer equipment	Office furniture and fixtures	Total
Cost					
At January 1, 2017		₱877,622	₱630,573	₱460,358	₱1,968,553
Additions		35,000	125,290	4,640	164,930
Retirement		–	(328,018)	(42,272)	(370,290)
At December 31, 2017		912,622	427,845	422,726	1,763,193
Additions		1,030,000	184,900	23,996	1,238,896
Retirement		–	(79,000)	(12,015)	(91,015)
At December 31, 2018		**1,942,622**	**533,745**	**434,707**	**2,911,074**
Accumulated depreciation					
At January 1, 2017		742,721	435,926	367,494	1,546,141
Depreciation	*21*	129,906	118,936	54,374	303,216
Retirement		–	(328,018)	(42,272)	(370,290)
At December 31, 2017		872,627	226,844	379,596	1,479,067
Depreciation	*21*	121,868	144,005	24,473	290,346
Retirement		–	(79,000)	(12,015)	(91,015)
At December 31, 2018		**994,495**	**291,849**	**392,054**	**1,678,398**
Net book value					
At December 31, 2018		**₱948,127**	**₱241,896**	**₱42,653**	**₱1,232,676**
At December 31, 2017		₱39,995	₱201,001	₱43,130	₱284,126

There are neither restrictions on the title on the Association's property and equipment nor any of them are pledged as security for any of its liabilities.

The cost of fully depreciated assets still being used in the operation of the Association amounted to ₱1,175,493 and ₱599,096 as at December 31, 2018 and 2017, respectively.

Based on management's assessment, there is no indication of impairment and the carrying amount of property and equipment can be recovered through continuous use in operations.

The Association retire some of its fully depreciated property and equipment amounting to ₱91,015 and ₱370,290 in 2018 and 2017, respectively.

13. Computer software, net

The details of and movements in this account are presented below:

Cost	
January 1, 2017	₱–
Reclassification	1,219,366
Additions	112,449
December 31, 2017	1,331,815
Additions	–
December 31, 2018	**1,331,815**
Accumulated amortization	
January 1, 2017	–
Amortization (Note 21)	122,083
December 31, 2017	122,083
Amortization (Note 21)	122,083
December 31, 2018	**244,166**
Net book value	
December 31, 2018	**₱1,087,649**
December 31, 2017	₱1,209,732

Management believes that there is no indication of impairment loss on its computer software in 2018 and 2017.

14. Trade and other payables

This account consists of:

	2018	2017
Accounts payable	₱370,192	₱764,529
Accrued expenses	268,224	215,477
Government dues	60,298	103,767
	₱698,714	₱1,083,773

Accounts payable pertains to collection fees.

Accrued expenses pertain to expenses incurred but not yet paid such as legal and professional fees, and operating cost incurred by the Association.

Government dues and remittances represent contributions of employees that will be remitted to various government agencies such as SSS, Philhealth and Pag-ibig. It also includes taxes withheld from salaries of employees and income payment to suppliers, which will be remitted in the subsequent month.

15. Aggregate reserves

This account consists of:

	2018	2017
Liability on individual equity value	₱83,073,905	₱72,138,994
Aggregate reserve for trust liability		
Reserved Funds (RF)	49,197,124	43,064,176
Basic contingent benefit reserve	372,525	288,711
Optional benefit reserve	1,111,216	824,479
	₱133,754,770	₱116,316,360

	2018	2017
Breakdown:		
Current portion		
Liability on individual equity value	₱5,562,364	₱4,064,147
Aggregate reserve for trust liability - RF	7,026,181	6,865,887
Noncurrent portion		
Liability on individual equity value	77,511,541	68,074,847
Aggregate reserve for trust liability - RF	42,170,943	36,198,289

Liability on individual equity value represents the total amount of obligations set up by the Association on membership certificates pertaining to 50% equity value, as required under the Insurance Code, and any incremental amount declared by the Association.

Aggregate reserve for trust liability is weekly contribution of five pesos, which shall be credited to the fund for the account of the member. The calculations of the aggregate reserves are based on reasonable actuarial assumptions and are in accordance with generally accepted actuarial principles.

16. Claims payable on basic contingent benefit

The account consists of incurred but not reported claims amounting to ₱502,499 and ₱389,909 in 2018 and 2017, respectively.

17. Fund balance

Fund balance refers to the residual interest in the assets of the Association after deducting all its liabilities. This represents the accumulated earnings of the MBA reduced by whatever losses the Association may incur during a certain accounting period.

	Restricted fund balance	Unrestricted fund balance	Total
Balance at January 1, 2017	₱22,977,037	₱35,483,562	₱58,460,599
Movement during the year	12,134,489	(115,109)	12,019,380
Balance at December 31, 2017	35,111,526	35,368,453	70,479,979
Movement during the year	10,324,348	(6,785,841)	3,538,507
Balance at December 31, 2018	**₱45,435,874**	**₱28,582,612**	**₱74,018,486**

Restricted fund is composed of guaranty fund, benefits in kind and other relevant services, enhancement of equity value fund, capacity building, continuing member's education, education and training fund, hospital assistance fund, research and development fund and computer software maintenance. Education and training fund refers to the amount allocated by the Association for education and training of its members, officers and staff. Education and training fund includes the amount of payment to Kasagana-ka Development Center that represents collection fees.

The restricted fund of the Association is composed of the following:

	2018	2017
Guaranty fund	₱24,265,216	₱21,995,687
Benefits in kind and other relevant services	8,610,136	5,600,000
Enhancement of equity value	4,446,481	2,250,000
Capacity building fund	3,273,132	2,000,000
Continuing member's education fund	3,056,884	1,650,289
Hospital assistance fund	911,756	352,666
Research and development	471,016	300,000
Software maintenance	401,233	250,000
Education and training fund	–	712,884
	₱45,435,874	₱35,111,526

A Mutual Benefit Association (MBA) shall only maintain free and unassigned surplus of not more than twenty percent (20%) of its total liabilities as verified by the Commissioner. Any amount in excess shall be returned to the members by way of dividends, enhancing the equity value or providing benefits in kind and other relevant services. In addition, subject to the approval of the Commissioner, a MBA may allocate a portion for capacity building and research and development such as developing new products and services, upgrading and improving operating system and equipment and continuing member education.

As at and for the years ended December 31, 2018 and 2017, the Association's excess unrestricted fund balance from twenty percent (20%) of liabilities are as follows:

	2018	2017
Unrestricted fund balance	₱28,582,612	₱35,368,,453
Total liabilities	135,155,314	118,613,286
20% of liabilities	27,031,063	23,722,657
Excess of unrestricted fund balance from 20% of liabilities	₱1,551,549	₱11,645,796

Decrease in fund balance for the consumption of restricted fund of the Association is composed of the following:

	2018	2017
Benefits in kind and other relevant services	₱2,314,208	₱–
Capacity building fund	692,139	–
Education and training fund	689,784	1,935,949
Continuing member's education fund	211,864	–
Software maintenance	79,976	–
Research and development	60,192	–
	₱4,048,163	₱1,935,949

18. Related party transactions

In the normal course of its business, the Association transacts with its related parties. These principally consist of collection of membership and premium contribution and non-interest bearing advances for certain expenses. Other transactions are based on terms agreed to by the parties.

Kabuhayan sa Ganap na Kasarinlan Credit & Savings Cooperative (KCOOP) is a cooperative duly registered under the Cooperative Development Authority in February 2016. It is the fourth organization under the Kasagana- Ka Synergizing Organizations. Since the Association was established primarily to answer the member's need for a viable microinsurance program, members of the Association are also members of KCOOP. The Association continues to take advantage of KCOOP's infrastructure to engage its growing membership and collect premium payments.

Name of related party	Relationship	Nature of the related party transaction
Kabuhayan sa Ganap Na Kasarinlan Credit and Savings Cooperative (KCOOP)	KCOOP partner	Funds Assigned for Member's Benefits (Fund Balance Account)

The following summarizes the Association's related party transactions:

2018				
	2017	**Additions during the year**	**Payment / Collections**	**2018**
Unremitted Contribution Dues and Fees	**₱3,176,595**	**₱26,543,104**	**(₱21,439,647)**	**₱8,280,052**
Unremitted Premiums	**503,845**	**7,216,513**	**(5,980,794)**	**1,739,564**

2017				
	2016	Additions during the year	Payment / Collections	2017
Unremitted Contribution Dues and Fees	₱2,835,175	₱3,176,595	(₱2,835,175)	₱3,176,595
Unremitted Premiums	433,520	503,845	(433,520)	503,845

Details of the Association's related party transactions follow:

a. The Association will collect from KCOOP members' contributions on member certificates that will be remitted at the end of the financial reporting period.
b. The Association will collect from KCOOP gross premiums on all optional policies that will be remitted at the end of the financial reporting period.

The outstanding balances with related parties as at December 31 are as follows:

	Note	2018	2017	Terms and conditions	Security	Nature of consideration to be provided upon settlement	Details of guarantees given or received	Impairment loss
Unremitted Contribution Dues and Fees	7	**₱8,280,052**	₱3,716,595	Demandable	Unsecured	Cash	None	None
Unremitted Premiums	7	**1,739,564**	503,855	Demandable	Unsecured	Cash	None	None

19. Retirement benefit obligation, net

The Association has a noncontributory, defined benefit plan covering all its officers and regular employees. Retirement benefits expense recognized in the statement of comprehensive income is computed based on provision of PAS 19 (Amended). The principal actuarial assumptions used to determine the funding of the trust fund is accrued benefit actuarial cost method which take into account the factors of investment, mortality, disability, and salary projection rates.

The amounts recognized in the statements of financial position are as follows:

	2018	2017
Present value of the obligation	₱1,296,208	₱1,302,990
Fair value of plan assets	(1,096,877)	(479,746)
Defined benefit obligation	₱199,331	₱823,244

The retirement benefit cost recognized in the statements of comprehensive income as follows:

	Note	2018	2017
Current service cost		₱199,477	₱187,891
Interest cost, net	*21*	25,888	30,834
		₱225,365	₱218,725

a. Reconciliation of defined benefit obligation

The movement in the defined benefit obligation is as follows:

	2018	2017
Present value of the obligation at January 1	₱1,302,990	₱1,043,971
Current service cost	199,477	187,891
Interest cost	63,769	54,694
Remeasurements in other comprehensive income:		
Loss (gain) in defined benefit obligation from changes in financial assumptions	(539,730)	64,807
Loss (gain) in defined benefit obligation due to experience	269,702	(48,373)
	(6,782)	259,019
Present value of the obligation at December 31	₱1,296,208	₱1,302,990
Fair value of plan assets at January 1	479,746	455,440
Contributions paid	588,532	–
Expected return	37,881	23,860
Remeasurements in other comprehensive income:		
Gain (loss) in defined benefit obligation due to experience	(9,282)	446
	617,131	24,306
Fair value of plan assets at December 31	₱1,096,877	₱479,746
Present value of the obligation, net at December 31	₱199,331	₱823,244

b. Remeasurements in other comprehensive income

Remeasurements in other comprehensive income represent actuarial gains and losses as shown below:

	2018	2017
Actuarial gain (loss) recognized, net	₱260,746	(₱15,988)

The significant actuarial assumptions were as follows:

The principal assumptions used in determining pension liability of the Association are shown below:

	2018	2017
Discount rate	7.64%	4.89%
Expected rate of salary increases	5%	5%

20. Revenue

This account consists of:

	2018	2017
Gross member's contribution	₱35,916,179	₱33,454,999
Gross premium	9,493,697	6,947,984
Membership fees	1,156,090	698,190
Miscellaneous income	643,204	245,705
	₱47,209,170	₱41,346,878

Miscellaneous income is composed of other income from K-Kalinga and income other than contribution, premiums and membership fees.

21. Operating expenses

This account consists of:

	Note	2018	2017
Salaries, wages and benefits		₱3,760,341	₱3,437,639
Transportation and travel allowance		807,405	536,097
Representation and entertainment		781,111	819,541
Office supplies		587,968	374,717
Meals		569,349	207,290
Rental	22	441,478	424,772
Technical and professional fees		438,902	462,682
Depreciation	12	290,346	303,216
Professional and technical development		264,465	339,665
Research and development		242,020	237,286
Retirement benefit cost	19	225,365	218,725
Meeting and conferences		187,622	425,823
Utilities		139,380	108,853
Taxes, licenses and fees		135,536	71,475
Amortization	13	122,083	122,083
Annual general assembly		107,232	44,550
Repairs and maintenance		81,183	91,315
Insurance		63,537	21,183
Reinsurance premium		47,534	35,050
Dues and subscription		31,702	–
Investment Management Fees		12,000	12,000
Bank and other charges		9,164	1,305
Donations and contributions		5,000	3,319
Medicine		4,222	3,849
MBA Dues		–	152,184
Marketing, advertising and promotions		–	9,353
Miscellaneous		37,463	27,052
		₱9,392,408	₱8,491,024

22. Lease agreement

The Association entered into two operating lease agreements for the lease of Units 501 and 504 for the period of two (2) years from February 1, 2016 to January 31, 2018 and from May 1, 2016 to April 30, 2018, respectively. Total monthly rentals of ₱30,315 for both units shall be paid on the first year of the lease agreement and shall increase to ₱33,346 on the second year.

In 2018, the Association entered into a new lease of agreement for the lease of Units 501 and 504 for the period of one (1) year from February 1, 2018 to January 31, 2019 and from May 1, 2018 to April 30, 2019, respectively. Total monthly rentals of ₱34,006 for both units shall be paid during the period of the lease agreement.

Relative to the lease agreements, the Association paid security deposit amounting to ₱102,020 and ₱100,040 as at December 31, 2018 and 2017, respectively.

Rent expense recognized in 2018 and 2017 amounted to ₱441,478 and ₱424,772, respectively (Note 21).

The future lease payments under the operating lease will be as follows:

	2018	2017
Not later than one year	₱94,446	₱89,523
Later than one year but not later than five years	–	–
	₱94,446	₱89,523

23. Income tax exemption

The Association is exempted from income tax under Section 30 (c) of the National Internal Revenue Code as a non-stock association organized and operated exclusively for charitable and cultural purposes and no part of its net income or asset shall belong to or inure to the benefit of any member, organizer, officer or any specific person. Interest earned from the placement of Association funds are, however, subject to final tax. The interest income shown in the financial statement is net of final tax.

24. Financial statement presentation

Certain account reclassification was made to conform to 2018 financial statements presentation. The effects of the reclassifications relative to 2017 financial statements are summarized below:

	Before reclassification	Reclassification	After reclassification
Statement of financial position			
Other current assets	₱218,248	₱100,040	₱318,288
Other noncurrent assets	262,501	(100,040)	162,461
Investment properties	–	17,863,668	17,863,668
Property and equipment, net	18,147,794	(17,863,668)	284,126
Statement of comprehensive income			
Dividend income	–	504,000	504,000
Interest income	4,691,796	(504,000)	4,187,796
Statement of cash flows			
Other current assets	122,181	(100,040)	22,141
Other noncurrent assets	(9,095)	100,040	90,945
Acquisition of investment properties	–	(17,863,668)	(17,863,668)
Acquisition of property and equipment	(18,028,598)	17,863,668	(164,930)
Dividend income	–	504,000	504,000
Interest income	4,691,796	(504,000)	4,187,796
Dividend income received	–	504,000	504,000
Interest income received	4,199,294	(504,000)	3,695,294

The reclassification has no effect on the reported total expenses or net assets for the period reported.

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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Members and the Board of Trustees
Kasagana-Ka Mutual Benefit Association, Inc.
(A Non-stock, Not-for-profit Association)
#5 Don Francisco St., Don Enrique Heights
Brgy. Holy Spirit, Quezon City

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Kasagana-Ka Mutual Benefit Association, Inc. (A Non-stock, Not-for-profit Association) ("the Association"), as at and for the year ended December 31, 2018 included in this Audited Financial Statements (AFS) and have issued our report thereon dated April 12, 2019. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Financial Statements and Supplementary Schedules in this AFS are presented for purposes of complying with the Securities Regulation Code (SRC) Rule 68, As Amended, and the Securities and Exchange Commission (SEC) Memorandum Circular No. 11, Series of 2008 and are not part of the basic financial statements. Such schedules are the responsibility of management. The schedules have been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ROXAS CRUZ TAGLE AND CO.

Clark Joseph C. Babor

Clark Joseph C. Babor
Partner
CPA Certificate No. 0119292
Tax Identification No. 248-709-974-0000
PTR No. 7348358, issued on January 10, 2019, Makati City
BOA/PRC Registration No. 0005, issued on December 13, 2018,
effective until July 20, 2021
SEC Accreditation No. 1580-A (Individual), Group C, issued on August 30, 2016,
effective until August 30, 2019
SEC Accreditation No. 0007-FR-5 (Firm), Group A, issued on July 5, 2018,
effective until July 4, 2021
BIR Accreditation No. 08-006635-001-2017, issued on January 23, 2017,
effective until January 22, 2020
IC Accreditation No. SP-2019-001-O, issued on January 31, 2019,
effective until January 30, 2022

April 12, 2019
Makati City

Schedule of Standards and Interpretations
December 31, 2018

PHILLIPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A : Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1 : Additional Exemptions for First-time Adopters			✓
	Amendments to PFRS 1 : Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1 : Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing Costs			✓
	Amendments to PFRS 1: Meaning of Effective PFRSs			✓
	Amendments to PFRS 1: Deletion of short-term exemptions for first-time adopters*			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendment to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Share-based Payment - Definition of Vesting Condition			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions*			✓
PFRS 3 (Revised)	Business Combinations			✓
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements			✓
PFRS 4	Insurance Contracts	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts*	✓		
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendments to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		

PHILLIPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7:Disclosures - Transfers of Financial Assets			✓
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Disclosures - Servicing Contracts			✓
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements			✓
PFRS 8	Operating Segments			✓
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets			✓
PFRS 9 (2014)	Financial Instruments*	✓		
	Hedge Accounting and Amendments to PFRS 9, PFRS 7 and PAS 39*			✓
	Amendments to PFRS 9: Prepayment Features with Negative Compensation***			✓
PFRS 10	Consolidated Financial Statements			✓
	Amendments to PFRS 10, PFRS 12 and PAS 27: Consolidation for Investment Entities			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**	Original effective date has been deferred/postponed		
	Amendments to PFRS 10, PFRS 12, and PAS 28: Application of the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Investment Entities			✓
	Amendments to PFRS 11: Accounting for Acquisitions of an Interest in a Joint Operation			✓
PFRS 12	Disclosure of Interest in Other Entities			✓
	Amendments to PFRS 10 , PFRS 12, and PAS 28: Application of the Consolidation Exception			✓
	Amendments to PFRS 12: Clarification of the Scope of the Standard			✓
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term Receivables and Payables	✓		
	Amendment to PFRS 13: Portfolio Exception			✓
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers*	✓		
	Amendments t PFRS 15: Clarifications to PFRS 15*	✓		
PFRS 16	Leases*		✓	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures			✓
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the Requirements for Comparative Information	✓		

PHILLIPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 1, Disclosure initiative			✓
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative			✓
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Classification of Servicing Equipment			✓
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendments to PAS 16 and PAS 41: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Employee Contributions	✓		
	Amendment to PAS 19: Discount Rate: Regional Market Issue			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓
	Amendment to PAS 21: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel			✓
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Revised)	Separate Financial Statements			✓
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Revised)	Investments in Associates and Joint Ventures			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**	Original effective date has been deferred/postponed		
	Amendments to PFRS 10, PFRS 12, and PAS 28: Application of the Consolidation Exception			✓
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value*			✓
	Amendments to PAS 28: Long-term Interests in Associates and Joint Ventures***			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		

PHILLIPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share			✓
PAS 34	Interim Financial Reporting			✓
	Amendment to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'			✓
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets and Financial Liabilities	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 38 : Revaluation Method - Proportionate Restatement Of Accumulated Amortization			✓
	Amendments to PAS 16 and 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition			✓
	Amendments to IFRIC 9 and PAS 39: Embedded Derivatives			✓
	Amendments to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting			✓
	Amendments to PAS 39: Hedge Accounting			✓
PAS 40	Investment Property	✓		
	Amendments to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-Occupied Property	✓		
	Amendments to PAS 40: Transfers of Investment Property*			✓
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Bearer Plants			✓
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement contains a Lease	✓		
IFRIC 5	Rights to Interest arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓

PHILLIPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyper Inflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to IFRIC 14: Prepayments of a Minimum Funding Requirements			✓
IFRIC 15	Agreements for the Construction of Real Estate**	Original effective date has been deferred/postponed		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of a Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Assets			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
IFRIC 22	Foreign Currency Transactions and Advance Considerations***	✓		
IFRIC 23	Uncertainty Over Income Tax Treatments***			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue—Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets—Web Site Costs			✓

*Standards and interpretations whose mandatory adoption date is after December 31, 2016.
**Standards and interpretations whose original effective date has been deferred/postponed by FRSC.
***Standards and interpretations adopted by FRSC and is subject for approval by the Board of Accountancy