Quidan Pag-inupdanay Mutual Benefit Association, Inc.

(A Nonstock, Not-for-Profit Association)

Financial Statements
December 31, 2015 and 2014

and

Independent Auditors' Report

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

CN200081730

Company Name

QUIDAN PAG-INUPDANAY MUTUAL BENEFIT ASSOCIATION, INC. (A Nonstock, Not-for-Profit Association)

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

Room 320 VSB Building, 6th Lacson Street, Bacolod City, Negros Occidental

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	SEC	MBA

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
quidan_mba@yahoo.com	(034) 435-5642	09392997550

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
N/A	12/18	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Rolly P. Panganiban	quidan_mba@yahoo.com	(034) 435-5642	09392997550

Contact Person's Address

Room 320 VSB Building, 6th Lacson Street Bacolod City

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

SGVBAC00924

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BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
Quidan Pag-inupdanay Mutual Benefit Association, Inc.
Room 320, VSB Building, 6th Lacson Street
Bacolod City, Negros Occidental

Report on the Financial Statements

We have audited the accompanying financial statements of Quidan Pag-inupdanay Mutual Benefit Association, Inc. (a nonstock, not-for-profit association), which comprise the statements of financial position as at and for the years ended December 31, 2015 and 2014, and the statements of comprehensive income, statements of changes in fund balance and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Quidan Pag-inupdanay Mutual Benefit Association, Inc. as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 18 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Quidan Pag-inupdanay Mutual Benefit Association, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Bernalette L. Ramos
Bernalette L. Ramos
Partner
CPA Certificate No. 0091096
SEC Accreditation No. 0926-AR-1 (Group A),
April 15, 2013, valid until April 14, 2016
Tax Identification No. 178-486-666
BIR Accreditation No. 08-001998-81-2015,
May 12, 2015, valid until May 11, 2018
PTR No. 5321681, January 4, 2016, Makati City

April 4, 2016

INDEPENDENT AUDITORS' REPORT

QUIDAN PAG-INUPDANAY MUTUAL BENEFIT ASSOCIATION, INC.

(A Nonstock, Not-for-Profit Association)

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2015	2014
ASSETS		
Cash (Notes 4 and 17)	**P=18,095,426**	P=17,942,921
Short - term investment (Notes 5 and 17)	**8,000,000**	8,000,000
Receivables (Notes 6 and 17)	**18,560,997**	17,274,198
Available-for-sale financial assets (Notes 7 and 17)	**1,479,000**	843,850
Property and equipment - net (Note 8)	**86,930**	194,066
Other current assets	**307,078**	261,729
	P=46,529,431	P=44,516,764
LIABILITIES AND FUND BALANCE		
Liabilities		
Life reserve fund (Notes 11 and 17)	**P=22,182,619**	P=21,232,181
Retirement savings fund (Notes 12 and 17)	**12,169,229**	11,662,469
Claims fund (Notes 13 and 17)	**363,881**	307,266
Accounts payable and accrued expenses (Notes 9 and 17)	**584,259**	652,014
Retirement fund balance	**652,665**	652,665
Total Liabilities	**35,952,653**	34,506,595
Fund Balance		
Guaranty fund (Notes 14 and 17)	**7,394,269**	7,133,829
Unappropriated fund balance	**2,817,369**	2,487,200
Appropriated fund balance	**201,364**	225,364
Donated equity	**163,776**	163,776
Total Fund Balance	**10,576,778**	10,010,169
	P=46,529,431	=44,516,764P

See accompanying Notes to Financial Statements.

QUIDAN PAG-INUPDANAY MUTUAL BENEFIT ASSOCIATION, INC.
(A Nonstock, Not-for-Profit Association)

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2015	2014
REVENUE		
Gross premiums earned	**P=5,208,810**	=4,968,353P
Interest income (Notes 4, 5 and 6)	**1,229,685**	1,203,174
Dividend income (Note 7)	**145,420**	79,698
Miscellaneous income	**31,781**	48,351
	1,406,886	1,331,223
	6,615,696	6,299,576
COSTS AND OPERATING EXPENSES		
Increase in aggregate reserves (Note 15)	**2,654,385**	2,563,109
Underwriting expenses	**473,009**	377,975
Net insurance claims and reserves	**3,127,394**	2,941,084
Salaries and allowances	**1,158,611**	1,169,697
Interest expense (Notes 11 and 12)	**421,258**	324,583
Professional fees	**414,955**	329,302
Meetings and seminars	**138,537**	49,708
Program, monitoring and evaluation	**108,513**	61,029
Transportation and travel	**94,453**	44,716
Depreciation (Note 8)	**90,148**	137,851
Representation and entertainment	**86,160**	9,635
Taxes and licenses	**77,538**	47,087
Repairs and maintenance	**59,797**	38,159
Rent (Note 10)	**45,000**	45,000
Light and water	**31,615**	25,858
Communication and postage	**27,430**	31,527
Supplies and materials	**21,930**	46,910
Vehicle insurance	**8,152**	4,744
Miscellaneous	**113,596**	111,239
	2,897,693	2,477,045
	6,025,087	5,418,129
EXCESS OF REVENUE OVER EXPENSES	**590,609**	881,447
OTHER COMPREHENSIVE INCOME	**–**	–
TOTAL COMPREHENSIVE INCOME	**P=590,609**	=881,447P

See accompanying Notes to Financial Statements.

QUIDAN PAG-INUPDANAY MUTUAL BENEFIT ASSOCIATION, INC.
(A Nonstock, Not-for-Profit Association)

STATEMENTS OF CHANGES IN FUND BALANCE

	Guaranty Fund (Note 14)	**Donated Equity**	**Appropriated Fund Balance**	**Unappropriated Fund Balance**	**Total**
At January 1, 2015	**P=7,133,829**	**P=163,776**	**P=225,364**	**P=2,487,200**	**P=10,010,169**
Excess of revenue over expenses	**–**	**–**	**–**	**590,609**	**590,609**
Appropriations for guaranty fund	**260,440**	**–**	**–**	**(260,440)**	**–**
Utilization of appropriated fund balance (Note 17)	**–**	**–**	**(24,000)**	**–**	**(24,000)**
At December 31, 2015	**P=7,394,269**	**P=163,776**	**P=201,364**	**P=2,817,369**	**P=10,576,778**
At January 1, 2014	P=6,885,412	P=163,776	=1,098,860P	=1,854,170P	=10,002,218P
Excess of revenue over expenses	–	–	–	881,447	881,447
Appropriations for guaranty fund	248,417	–	–	(248,417)	–
Utilization of appropriated fund balance (Note 17)	–	–	(873,496)	–	(873,496)
At December 31, 2014	=7,133,829P	P=163,776	=225,364P	P=2,487,200	=10,010,169P

See accompanying Notes to Financial Statements.

QUIDAN PAG-INUPDANAY MUTUAL BENEFIT ASSOCIATION, INC.
(A Nonstock, Not-for-Profit Association)

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses	**P=590,609**	P=881,447
Adjustments for:		
Increase in aggregate reserves (Note 15)	**2,654,385**	2,563,109
Interest expense (Notes 11 and 12)	**421,258**	324,583
Depreciation (Note 8)	**90,148**	137,851
Interest income (Notes 4 and 5)	**(1,229,685)**	(1,203,174)
Dividend income (Note 7)	**(145,420)**	(79,698)
Expenses of appropriated fund balance (Note 17)	**(24,000)**	(873,496)
Operating income before working capital changes	**2,357,295**	1,750,622
Decrease (increase) in:		
Receivables	**(1,196,428)**	828,662
Other current assets	**(45,349)**	(62,202)
Increase (decrease) in:		
Accounts payable and accrued expenses	**(67,755)**	210,220
Life reserve fund	**(1,042,269)**	(1,685,823)
Claims fund	**(907,735)**	(638,922)
Retirement savings fund	**388,174**	113,040
Retirement fund balance	**–**	652,665
Net cash generated from operations	**(514,067)**	1,168,262
Interest received	**1,229,462**	1,210,718
Net cash provided by operating activities	**715,395**	2,378,980
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Property and equipment (Note 8)	**(73,160)**	(59,160)
Available-for-sale financial assets (Note 7)	**(635,150)**	(624,575)
Dividend income received	**145,420**	79,698
Net cash used in investing activities	**(562,890)**	(604,037)
NET INCREASE IN CASH	**152,505**	1,774,943
CASH AT BEGINNING OF YEAR	**17,942,921**	16,167,978
CASH AT END OF YEAR (Note 4)	**P=18,095,426**	=17,942,921P

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Quidan Pag-inupdanay Mutual Benefit Association, Inc. (the Association) was duly registered with the Securities and Exchange Commission (SEC) as a nonstock, not-for-profit association on February 26, 2009 for the purpose of advancing the interest and promoting the welfare of the poor, in particular, and the welfare of the Philippines, in general. It specifically seeks to extend financial assistance to its members' spouses, children and parents in the form of death benefits, sickness/accident benefits and provident savings. It was granted a license by the Insurance Commission (IC) on January 12, 2010 to engage as a mutual benefit association and has started commercial operations thereafter. The Association actively involves the members in the direct management of the Association including the implementation of policies and procedures geared towards sustainability and improved services. The Board of Trustees (BOT) is responsible in making operational policies for the Association. The officers and the members of BOT are elected during the annual general membership assembly.

As a nonstock, not-for-profit mutual benefit association, the Association was granted tax exemption with respect to income and value-added taxes as provided under the National Internal Revenue Code (NIRC) of 1997 as amended by Republic Act 8424 known as the Comprehensive Tax Reform Program by the Bureau of Internal Revenue.

On July 22, 2013, the Bureau of Internal Revenue issued RMC 20-2013 which prescribes the policies and guidelines in the issuance of tax exemption rulings to qualified nonstock, non-profit corporations and associations under Section 30 of the NIRC of 1997. As of December 31, 2015, the Association submitted the application requirements to the BIR for tax exemption. As of April 4, 2016, the Association has not yet received the BIR approval for the tax exemption ruling.

The registered office address of the Association is Room 320, VSB Building, 6th Lacson Street, Bacolod City.

The accompanying financial statements of the Association were authorized for issue by the BOT on April 4, 2016.

2. Summary of Significant Accounting Policies

<u>Basis of Preparation</u>
The accompanying financial statements have been prepared on a historical cost basis. The financial statements are presented in Philippine Peso (P=), which is also the Association's functional currency. All values are rounded to the nearest Peso, unless otherwise indicated.

<u>Statement of Compliance</u>
The financial statements of the Association have been prepared in accordance with Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amended PFRS, which became effective on January 1, 2015.

Except as otherwise indicated, the adoption of the new accounting standards and amendments did not have any significant impact on the Association's financial statements.

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
- *Annual Improvements to PFRSs (2010-2012 cycle)*

  The Annual Improvements to PFRSs (2010-2012cycle) contain non-urgent but necessary amendments to the following standards:
  - PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  - PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  - PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  - PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*
  - PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*
  - PAS 24, *Related Party Disclosures - Key Management Personnel*

    The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent Association of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Association's financial position or performance (see Note 16).

- *Annual Improvement to PFRS2 (2011-2013)*

  The Annual Improvements to PFRSs (2011-2013cycle) contain non-urgent but necessary amendments to the following standards:
  - PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  - PFRS 13, *Fair Value Measurement - Portfolio Exception*
  - PAS 40, *Investment Property*

There are new PFRS, amendments, annual improvements and interpretations to existing standards that are effective for periods subsequent to 2015 and these will be adopted on their effectivity dates in accordance with the transition provisions. Except as otherwise stated, these amendments and improvements to PFRS and new standard are not expected to have any significant impact on the Association's financial statements.

Effective in 2016

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)

- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants* (Amendments)
- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)
- 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
- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments)
- PFRS 14, *Regulatory Deferral Accounts*
- *Annual Improvements to PFRSs* (2012-2014 cycle)

  The Annual Improvements to PFRSs (2012-2014cycle are effective for annual periods beginning on or after January 1, 2016.

  - PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
  - PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
  - PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  - PAS 19, *Employee Benefits - regional market issue regarding discount rate*
  - PAS 34, *Interim Financial Reporting - disclosure of information 'elsewhere in the interim financial report'*

Effective in 2018

- PFRS 9, *Financial Instruments* (2014 or final version)
- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
- IFRS 15, *Revenue from Contracts with Customers*

  This standard was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. The effectivity of IFRS 15 was deferred until the issuance of the final revenue standards by the International Accounting Standards Board (IASB). Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRS. Either a full or modified retrospective application is required for annual period beginning on or after 1 January 2018 with early adoption permitted. The Association is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date, once adopted locally.

Effective in 2019

- IFRS 16, *Leases*

  This standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the entity. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16. This standard supersedes:
  (a) IAS 17 Leases;
  (b) IFRIC 4 Determining whether an Arrangement contains a Lease;
  (c) SIC-15 Operating Leases - Incentives; and

(d) SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The Association is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date, once adopted locally.

Product Classification

Insurance contracts are those contracts when the Association (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. 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 risk.

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

Fair Value Measurement

The Association measures financial instrument at fair value at each reporting period. Also, fair values of financial assets measured at amortized cost are disclosed in Note 17.

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:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Association.

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

Fair value hierarchy

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

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

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

Financial instruments

The fair value for financial instruments traded in active markets at the end of the reporting period is based on their quoted market price or dealer price quotations, without any deduction for transaction costs. When current market prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option pricing models, and other relevant valuation models.

Nonfinancial assets

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

<u>Cash</u>

Cash comprises cash on hand and in banks.

<u>Short-term Investments</u>

Short-term investments are short-term placements with maturities of more than three months but less than one year from the date of acquisition and are carried in the statement of financial position at nominal amount. These earn interest at the prevailing short-term investment rates.

<u>Financial Instruments</u>

Date of recognition

The Association recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

Initial recognition and classification of financial instruments

All financial assets and liabilities are initially recognized at fair value. Except for financial assets and financial liabilities at fair value through profit or loss (FVPL), the initial measurement of financial instruments includes transaction costs. Financial assets within the scope of PAS 39 are classified as either financial assets at FVPL, loans and receivables, held-to-maturity (HTM) financial assets, AFS financial assets, as appropriate. Financial liabilities are classified as either financial liabilities at FVPL or other financial liabilities.

The Association classifies its financial assets as loans and receivables and AFS financial assets and its financial liabilities into other financial liabilities. The classification depends on the purpose for which the investments were acquired or liabilities incurred and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Determination of fair value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market prices or dealer price quotations (bid prices for long positions and ask prices for short positions), without any deduction for transaction costs. When current bid and asking prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction. For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models, and other relevant valuation models.

Loans and receivables

Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL. These are included in current assets if maturity is within twelve months from the reporting date otherwise, these are classified as noncurrent assets. Such assets are carried at amortized cost using the effective interest rate (EIR) method. Gains and losses are recognized in the statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. This accounting policy relates to the statement of financial position captions “Cash ”, “Short-term investments ”and “Receivables”. Loans and receivables are included in current assets if maturity is within twelve months from the reporting date.

AFS financial assets

AFS financial assets include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at FVPL. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS financial assets shall be reported in the statement of comprehensive income and included in the AFS reserve until the investment is derecognized at which time the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired.

When the security is disposed of, the cumulative gain or loss previously recognized in the statement of changes in equity is recognized in profit or loss in the statement of comprehensive income. Where the Association holds more than one investment in the same security these are deemed to be disposed of on a first-in first-out basis. Interest earned on holding AFS financial assets are reported as interest income using the EIR method. Dividends earned on holding AFS financial assets are recognized in the statement of comprehensive income when the right of payment has been established. The losses arising from impairment of such investments are recognized in the statement of comprehensive income.

Other financial liabilities

Other financial liabilities are financial liabilities not designated at FVPL where 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 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. After initial measurement, other financial liabilities are subsequently measured at amortized cost using the EIR 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 EIR. Gains and losses are recognized in statement of comprehensive income when the liabilities are derecognized, as well as through the amortization process. This accounting policy applies primarily to the Association’s statement of financial position captions, “Accounts and other payables” “Refundable Deposits” and “Advances from a stockholder”.

Derecognition of Financial Assets and Liabilities

Financial asset
A financial asset (or, where applicable, a part of a group of financial assets) is derecognized when: (a) the right to receive cash flows from the assets has expired; (b) the Association retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third-party under a “pass-through” arrangement; or (c) the Association has transferred its right to receive cash flows from the asset and either (i) has transferred substantially all the risks and rewards of the asset, or (ii) has neither transferred nor retained the risks and rewards of the asset but has transferred control of the asset.

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

Financial liability
A financial liability is derecognized when the obligation under the liability are discharged or cancelled or has expired. Where 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 statement of comprehensive income.

Impairment of Financial Assets
The Association assesses at each reporting date whether there is an objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred ‘loss event’) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables
For loans and receivables carried at amortized cost, the Association first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Association determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors’ ability to pay all amounts due according to the contractual terms of the assets being

evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to statement of comprehensive income.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as industry, past-due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Association to reduce any differences between loss estimates and actual loss experience.

AFS financial assets
For AFS financial assets, the Association assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

In case of equity investments classified as AFS, this would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized statement of comprehensive income. Impairment losses on equity investments are not reversed through statement of comprehensive income. Increases in fair value after impairment are recognized directly in other comprehensive income.

In the case of debt instruments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount future cash flows for the purpose of measuring impairment loss and is recorded as part of "Expenses" in profit or loss. If, in subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in other comprehensive income, the impairment loss is reversed through profit or loss.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation and any impairment in value. The initial cost of property and equipment comprises its purchase price, including taxes and directly attributable cost to bring the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as

repairs and maintenance are normally charged to income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation is computed using the straight-line method over the estimated useful lives (EUL) of the assets as follows:

	Years
Transportation equipment	5
Office furniture and fixtures	3
Computer and office equipment	2

The useful life and the depreciation method are reviewed periodically to ensure that the period and the method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

The carrying values of the property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, an impairment loss is recognized in the statement of comprehensive income.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made with respect to these assets.

Impairment of Nonfinancial Assets

The Association assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Association makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other current assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. Impairment losses of continuing operations are recognized in statement of comprehensive 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 statement of comprehensive income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such 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.

Life Reserve Fund

Under the Association's life insurance program, members and their qualified dependents are entitled to receive a minimum amount of benefit upon death or permanent disability duly approved by the Association after meeting certain conditions as stated in the certificate of membership issued to members. A member who withdraws membership from the Association shall be entitled to an equity value of at least 50% of the total membership dues/contribution payable upon termination of his/her membership from the Association provided the member has been an active member for two (2) consecutive years.

Retirement Savings Fund

Under the Association's mutual benefit plan, 25% of the contribution received from a member represents the members' savings in the association, which is directly reported as additions to "Retirement Savings Fund". According to the policy given to members, interest shall be credited to the accumulated fund every anniversary at a rate to be determined by the Board of Trustees. As stipulated in the revised IRR of the Association duly approved by the IC on October 23, 2013, the interest rate of the fund should not be lower than the prevailing interest rate on savings deposit of any commercial bank. In 2015 and 2014, the members' savings fund earned interest at 1% per Board Resolution Number 11 S2014. The interest expense is charged to profit or loss while the savings fund balance is shown under the liabilities section of the statement of financial position.

Claims Fund

This account is set up to cover all contractual benefits in the insurance plan such as death or disability. The fund is set up from the total gross premiums collected and is adjusted at year-end, such that the remaining balance of the fund pertains only to the actuarial valuation of the Association's (a) required reserves for life policies and contracts and its (b) incurred policy and contract claims that remain unpaid at the end of the period. The amount of the claims fund set up from the total gross premiums collected should not exceed 33% of said premiums as mandated by the IC.

Fund Balance

Fund balance represents guaranty fund, donated equity, appropriated fund balance and unappropriated fund balance.

Unappropriated fund balance

Unappropriated fund balance results from revenue, gains and other supports that are derived from the Association's regular operations unless the receipts are limited by donor-imposed restrictions. Association's expenses are reported as decreases in the unappropriated fund balance.

Appropriated fund balance

Appropriated fund balance consists of funds appropriated and managed by the Association for specific purposes and are subject to certain restrictions.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Association and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Association assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Association has concluded that it is acting as a principal in all of its revenue arrangements. The specific recognition criteria described below must also be met before revenue is recognized:

Gross premiums earned
Premiums are recognized as earned when collected. When premiums are recognized, actuarial liabilities are computed, with the result that benefits and expenses are matched with such revenue.

Interest
Interest on interest-bearing placements is recognized based on the accrual accounting using the EIR method. Interest income earned for the year is accrued as part of the Association's "Receivables".

Dividend
Dividend income is recognized when the right to receive dividend is established.

Miscellaneous
Miscellaneous income is recognized when earned.

<u>Insurance Contract Liabilities</u>
Life insurance contract liabilities
Life insurance liabilities are recognized when the contracts are entered into and the premiums are recognized. The reserve for life insurance contracts is calculated on the basis of a prudent prospective actuarial valuation method where the assumptions used depend on the circumstances prevailing in each life operation. This accounting policy pertains to "Life reserve fund" in the statement of financial position.

Liability adequacy test
Liability adequacy tests are performed annually to ensure the adequacy of the insurance contract liabilities. In performing these tests, current best estimates of future contractual cash flows, claims handling and policy administration expenses are used. Any deficiency is immediately charged to the statement of comprehensive income initially by establishing a provision for losses arising from the liability adequacy tests.

<u>Claim Costs</u>
Liabilities for unpaid claim costs and loss adjustment expenses relating to insurance contracts are accrued when insured events occur. The liabilities for unpaid claims, including those for incurred but not reported losses, are based on the estimated ultimate cost of settling the claims. The method of determining such estimates and establishing reserves are continually reviewed and updated. Changes in estimates of claim costs resulting from the continuous review process and differences between estimates and payments for claims are recognized as income or expense in the period when the estimates are changed or payments are made.

<u>Expense Recognition</u>
Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants.

General expenses
General expenses are recognized as they are incurred.

Claims
Claims consist of claims paid to members, which includes excess benefit claims. Death claims and surrenders are recorded on the basis of notifications received.

Interest expense
Interest expense on accumulated policyholders' dividends and premium deposit fund is recognized in the statement of comprehensive income as it accrues. Accrued interest is credited to the liability account every policy anniversary date.

Leases
The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date. The arrangement is assessed for whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

A reassessment is made after inception of the lease only if one of the following applies:

(a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
(b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
(c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or
(d) There is substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c), or (d) and at the date of renewal or extension period for scenario (b).

Association as lessee
Operating lease payments are recognized as an operating expense in profit or loss on a straight-line basis over the lease term.

Provisions
Provisions are recognized when the Association has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Association expects some or all of the provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the profit or loss, net of any reimbursement.

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

Events After the Reporting Period

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

Reclassification of 2014 financial statements

The Association made reclassification adjustments to its statements of comprehensive income for the year ended December 31, 2014.

	As Previously Reported	Reclassification adjustments	**As reclassified**
Retirement fund balance	P=716,366	(P=63,701)	**P=652,665**
Appropriated fund balance	161,663	63,701	**225,364**

3. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the financial statements in accordance with PFRS requires the Association to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

Product classification

The Association has determined that the insurance policies it issues have significant insurance risk and therefore meet the definition of an insurance contract and should be accounted for as such.

The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect. As a general guideline, the Association defines significant insurance risk as the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more that the benefits payable if the insured event did not occur.

Operating lease commitment - the Association as lessee

The Association has entered into office space lease for its operations for a period of one year, renewable every year. The Association has determined that the lessor retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

These leases are cancellable and have a life of one year, renewable upon mutual agreement by the parties. There are no restrictions placed upon the Association by entering into these leases. The rent expense incurred and reported under “Costs and operating expenses” in the statements of comprehensive income amounted to =0P.05 million in 2015 and 2014 (see Note 10).

The future minimum rentals payable under these operating leases amounted to =0P.05 million as of December 31, 2015 and 2014 (see Note 10).

Classification of financial assets not quoted in an active market

The Association classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

As of December 31, 2015 and 2014, the cost of unquoted AFS financial assets amounted to =1P.48 million and =0P.84 million, respectively. No impairment loss was recognized in 2015 and 2014 (see Note 7).

<u>Estimates</u>

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives (see Note 17).

Impairment of loans and receivables

The Association reviews its receivables to assess impairment annually. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Association makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio.

Total receivables amounted to =18P.56 million and =17P.27 million as of December 31, 2015 and 2014, respectively. No impairment loss was recognized in 2015 and 2014 (see Note 6).

Estimating EUL of property and equipment

The Association estimates the useful lives of its property and equipment based on the period over which the assets are expected to be available for use. The Association reviews annually the EUL of property and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the EUL of property and equipment would increase the recorded depreciation and amortization expense and decrease the related asset accounts (see Note 8).

Impairment of property and equipment

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.

As of December 31, 2015 and 2014, the carrying value of the Association's property and equipment amounted to =0P.09 million and =0P.19 million, respectively. No impairment loss was recognized in 2015 and 2014 (see Note 8).

Aggregate reserves
The estimation of ultimate liability arising from claims made under life insurance contracts is the Association's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Association will ultimately pay for such claims. Previous experience and trends are fundamentally considered in determining the liability. In determining the provision for reserves, estimates are made as to the expected number of deaths, illness or injury for each of the years in which the Association is exposed to risk. These estimates are based on standard industry and national mortality and morbidity tables. The estimated number of deaths, illness or injury determines the value of possible future benefits to be paid out, which will be factored into ensuring sufficient cover by reserves, which in return is monitored against current and future premiums. Estimates are also made to future investment income arising from the assets backing life insurance contracts. These estimates are based on weighted average rate of return arising from the assets backing life insurance contracts.

As of December 31, 2015 and 2014, the carrying value of the Association's life reserve fund amounted to =22P.18 million and =21P.23 million, respectively (see Note 11).

4. Cash

This account consists of:

	2015	2014
Petty cash fund	**P=10,000**	=10,000P
Cash in banks	**18,085,426**	17,932,921
	P=18,095,426	=17,942,921P

Cash in banks earns interest at the prevailing bank deposit rates. Cash in banks bears annual interest rates ranging from and 0.025% to 1.00% in 2015 and 2014, respectively. Interest income from cash in banks amounted to P=0.03 million and =0P.02 million in 2015 and 2014, respectively.

5. Short - term Investment

This account consists of short-term investment in Bank of the Philippine Islands. Short-term investment bears annual interest rate of 1.25% in 2015 and 2014. Interest income from short-term investment amounted to P=0.28 million and P=0.26 million in 2015 and 2014, respectively. This short-term investment will mature on June 27, 2016.

6. Receivables

This account consists of:

	2015	2014
Receivables from related parties (Note 16)	**P=18,398,962**	P=17,115,219
Advances to officers and employees	**161,368**	158,535
Accrued interest	**667**	444
	P=18,560,997	17,274,198

Receivables from related parties represent unremitted premiums and contributions pertaining to life insurance and provident savings fund collected by related parties on behalf of the Association and advances made to related parties for the maintenance of operations. Interest income from receivables from related parties amounted to =0P.92 million in 2015 and 2014. These are collectible within one year.

Advances to officers and employees represent advances for business expenses of the employer and advances for emergencies and medical assistance. These are settled through salary deduction.

Accrued interest represents the interest recognized for the short-term investment.

7. Available-for-Sale Financial Assets

This account consists of unquoted equity securities measured at cost. The Association owns 1,843 and 843 common shares of Federation of Peoples' Sustainable Development Cooperative as of December 31, 2015 and 2014, respectively. Movement in the AFS financial assets follow:

	2015	2014
At January 1	**P=843,850**	=219,275P
Additional investment	**635,150**	624,575
At December 31	**P=1,479,000**	=843,850P

Dividend income earned for available-for-sale financial assets amounted to =0P.15 million and =0P.08 million in 2015 and 2014, respectively.

8. Property and Equipment

The rollforward analyses of this account follow:

	2015			
	Transportation Equipment	**Computer and Office Equipment**	**Office Furniture and Fixtures**	**Total**
Cost				
At January 1	**P=890,000**	**P=465,680**	**P=123,855**	**P=1,479,535**
Additions	**–**	**50,250**	**22,910**	**73,160**
At December 31	**890,000**	**515,930**	**146,765**	**1,552,695**
Accumulated Depreciation				
At January 1	**756,500**	**411,807**	**117,162**	**1,285,469**
Depreciation	**66,750**	**18,067**	**5,331**	**90,148**
Subsidized depreciation	**66,750**	**18,067**	**5,331**	**90,148**
At December 31	**890,000**	**447,941**	**127,824**	**1,465,765**
Net Book Value	**P=–**	**P=67,989**	**P=18,941**	**P=86,930**

	2014			
	Transportation Equipment	Computer and Office Equipment	Office Furniture and Fixtures	Total
Cost				
At January 1	P=890,000	=406,520P	P=123,855	=1,420,375P
Additions	–	59,160	–	59,160
At December 31	890,000	465,680	123,855	1,479,535
Accumulated Depreciation				
At January 1	578,500	327,773	103,495	1,009,768
Depreciation	89,000	42,017	6,834	137,851
Subsidized depreciation	89,000	42,017	6,833	137,850
At December 31	756,500	411,807	117,162	1,285,469
Net Book Value	=133,500P	P=53,873	P=6,693	=194,066P

Subsidized depreciation pertains to the fifty percent of the Association’s depreciation expense shouldered by Pag-inupdanay, Inc. The other fifty percent is recorded by the Association as a receivable in its books. The related depreciation expense and payable are recorded in the books of Pag-inupdanay, Inc. (see Note 16).

As of December 31, 2015 and 2014, the cost of fully depreciated property and equipment still in use amounted to =1P.39 million and =0P.47 million, respectively.

9. Accounts Payable and Accrued Expenses

This account consists of:

	2015	2014
Accrued expenses	**P=439,274**	P=321,966
Payable to related parties (Note 16)	**144,723**	295,943
Others	**262**	34,105
	P=584,259	P=652,014

Payable to related parties pertains to outstanding obligation to Grassroot Community of Educators and Leaders (GCEL) for the services it rendered as a coordinator of the branches of the Association. These are to be settled within one year.

Accrued expenses include accruals for interest expense of the retirement savings fund, professional fees, employee benefits, allowances and other miscellaneous expenditures. These are to be settled within one year.

Other payables consist of Social Security System, Phil Health and Home Development Mutual Fund premiums and salary loans payable. These are to be settled within one year.

10. Lease Commitment

The Association entered into an operating lease agreement for its office space. The lease term is for a period of one year and renewable at the end of the lease term upon mutual consent of the parties. As of December 31, 2015, neither party has declared intent in terminating the lease arrangement.

Rent expense amounted to P=0.05 million in 2015 and 2014. Deposits recorded under “Other current assets” pertain to deposits for leased office space.

The future minimum rentals payable this under noncancellable operating lease within one year amounted to P=0.05 million as of December 31, 2015 and 2014.

11. Life Reserve Fund

The movements in this account follow:

	2015	2014
At January 1	**P=21,232,181**	P=20,777,561
Provision for the year (Note 15)	**1,690,035**	1,930,820
Amount refunded during the year	**(1,042,269)**	(1,685,823)
Interest expense	**302,672**	209,623
At December 31	**P=22,182,619**	=21,232,181P

This account represents provisions for reserve liabilities for life insurance computed on the basis of a prudent prospective actuarial valuation method where the assumptions used depend on the circumstances prevailing in each life operation. Life reserve fund accumulates 50% of life premium contributions of its members.

12. **Retirement Savings Fund**

The movements in this account follow:

	2015	2014
At January 1	**P=11,662,469**	P=11,387,551
Net contributions received during the year	**961,592**	1,040,680
Provision for the year (Note 15)	–	46,918
Refunds paid during the year	**(573,418)**	(927,640)
Interest expense	**118,586**	114,960
At December 31	**P=12,169,229**	P=11,662,469

This account represents retirement contributions of members of the Association including interest accruals. It is used to finance the retirement obligations in the event of resignation and termination of coverage. Upon reaching the termination age of sixty-five or if a member resigns from the Association prior to age 65, the member shall be entitled to payment of 100% of the total retirement savings fund contributions plus interest credits during his/her period of membership. Interest shall be credited to the accumulated fund every anniversary at a rate to be determined by the BOT but in no case less than the prevailing interest rate on savings deposit of any commercial bank.

13. **Claims Fund**

This account consists of:

	2015	2014
Aggregate reserves for credit life insurance policies	**P=216,377**	P=129,997
Aggregate reserves for life policies and contracts	**53,048**	39,700
Policy and contract claims payable	**94,456**	137,569
	P=363,881	P=307,266

Details follow:

	2015	2014
At January 1	**P=307,266**	P=360,817
Provision for the year (Note 15)	**964,350**	585,371
Claims paid	**(907,735)**	(638,922)
At December 31	**P=363,881**	P=307,266

The components of policy and contract claims payable are as follows:

	2015	2014
In course of settlement	**P=11,804**	P=2,500
Due and unpaid	**5,000**	21,313
Denied	**19,500**	55,000
Incurred but not reported	**58,152**	58,756
	P=94,456	P=137,569

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14. Guaranty Fund

In accordance with Republic Act No. 10607 Sec.405, this account must be maintained at a minimum of P=5,000,000. In accordance with Insurance Memorandum Circular (IMC) No. 9-2006, every year thereafter, it is increased by an amount equivalent to 5% of gross premium collections. The appropriation for guaranty fund amounted to P=0.26 million and P=0.25 million in 2015 and 2014, respectively.

15. Increase in Aggregate Reserves

This account consists of:

	2015	2014
Life reserve fund (Note 11)	**P=1,690,035**	P=1,930,820
Retirement savings fund (Note 12)	–	46,918
Claims fund (Note 13)	**964,350**	585,371
	P=2,654,385	P=2,563,109

16. Related Party Transactions

The Association, in the normal course of activities, has entered into transactions with affiliates. These balances are settled as separate transactions and not on a net basis. Except as otherwise, indicated, the outstanding accounts with related parties shall be settled in cash.

This account consists of receivables (payables) which are unsecured, non-interest-bearing with a term of one (1) year. No impairment loss was recognized for these receivables. The significant transactions with the related parties are as follows:

2015

Category	**Relationship**	**Amount/ Volume**	**Outstanding Balance**	**Conditions**
Pag-inupdanay, Inc.				
Premiums (a)	Affiliate	**P=5,212,880**	**P=11,333,099**	Unsecured, no impairment
Receivable (b)	Affiliate	**29,198,651**	**6,512,166**	Unsecured, no impairment
Grassroot Community of Educators and Leaders				
Payable (c)	Affiliate	**–**	**(144,723)**	Unsecured
Quidan Kaisahan Negros Occidental, Inc.				
Premiums (d)	Affiliate	**–**	**553,697**	Unsecured, no impairment

2014

Category	Relationship	Amount/ Volume	Outstanding Balance	Conditions
Pag-inupdanay, Inc.				
Premiums (a)	Affiliate	=4,968,903P	P=10,529,458	Unsecured, no impairment
Receivable (b)	Affiliate	51,198,897	6,032,064	Unsecured, no impairment
Grassroot Community of Educators and Leaders				
Payable (c)	Affiliate	(353,474)	(295,943)	Unsecured
Quidan Kaisahan Negros Occidental, Inc.				
Premiums (d)	Affiliate	635,683	553,697	Unsecured, no impairment

a. Premiums pertain to unremitted premiums and contributions, interest and charges from branches. These receivables are generally collectible within one year.

b. Receivable pertains to reimbursable portion of general fund operating expenses and Credit Life Insurance Policy (CLIP) expenses subsidized by Pag-inupdanay, Inc. that have been advanced by the Association.

c. Payable pertains to outstanding obligation to GCEL (see Note 9). These are to be settled within one year.

d. Receivables from Quidan Kaisahan Negros Occidental, Inc. pertain to premiums to be turned over to the Association.

Subsidized depreciation pertains to the fifty percent of the Association's depreciation expense shouldered by Pag-inupdanay, Inc. The other fifty percent is recorded by the Association as a receivable in its books. The related depreciation expense and payable are recorded in the books of Pag-inupdanay, Inc. (see Note 8).

Compensation of Key Management Personnel

The Association's key management personnel are the executive director, general accountant and management information system head. The summary of compensation of key management personnel follows:

	2015	2014
Salaries and wages	**P=573,885**	P=572,885
Social security costs	**60,735**	40,157
Other short term benefits	**188,094**	188,094
	P=822,714	P=801,136

17. **Management of Insurance and Financial Risks, Capital Management and Regulatory Requirements**

Governance Framework

The Association has established a risk management function with clear terms of reference and with the responsibility for developing policies on market, credit, liquidity, insurance and operational risk. It also supports the effective implementation of policies at the overall association and individual business unit levels.

The policies define the Association's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, alignment of underwriting strategies to the corporate goals and specify reporting requirements.

Regulatory Framework

Regulators are interested in protecting the rights of the members and maintain close vigil to ensure that the Association is satisfactorily managing affairs for the member's benefit. At the same time, the regulators are also interested in ensuring that the Association maintains appropriate solvency position to meet liabilities arising from claims and that the risk levels are at acceptable levels.

The operations of the Association are subject to the regulatory requirements of the IC. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions (e.g., margin of solvency to minimize the risk of default and insolvency on the part of the insurance companies to meet the unforeseen liabilities as these arise, minimum guaranty fund, risk-based capital requirements).

Guaranty fund

As a mutual benefit association, the IC also requires the Association to possess a guaranty fund of P=5,000,000. 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 P=125,000,000. As of December 31, 2015 and 2014, the Association has a total of P=7.39 million and P=7.13 million respectively, representing guaranty fund which is deposited with the IC.
The main risks arising from the Association's insurance contracts follow:

Insurance Risk

The principal risk the Association faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid are greater than originally estimated and subsequent development of long term claims. Therefore, the objective of the Association is to ensure that sufficient reserves are available to cover these liabilities.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy and guidelines.

The Association determines its concentration of insurance risk based on sum insured. It has only one type of insurance contract which is term life insurance with 27,243 numbers of policies and P=553.50 million amount of insurance.

Underwriting risk

Underwriting risk represents the exposure to loss resulting from actual policy experience adversely deviating from assumptions made in the product pricing. Underwriting risks are brought about by a combination of the following:

- *Mortality risk* - risk of loss arising due to policyholder death experience being different than expected.
- *Morbidity risk* - risk of loss arising due to policyholder health experience being different than expected.
- *Investment return risk* - risk of loss arising from actual returns being different than expected.
- *Expense risk* - risk of loss arising from expense experience being different than expected.
- *Policyholder decision risk* - risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected.

These risks do not vary significantly in relation to the location of the risk insured by the Association, type of risk insured and by industry. Undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis.

The Association's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Association has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of fraudulent claims. Insurance contracts also entitle the Association to pursue third parties for payment of some or all cost. The Association further enforces a policy of actively managing and prompt pursuing of claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the Association.

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

Mortality and morbidity rates

Assumptions are based on standard industry and national tables, according to the type of contract written, reflecting recent historical experience and which are adjusted where appropriate to reflect the Association's own experiences. An appropriate but not excessive prudent allowance is made for expected future improvements.

An increase in rates will lead to a larger number of claims and claims could occur sooner than anticipated, which will increase the expenditure and decrease the funds of the Association.

Expenses

Operating expenses assumptions reflect the projected costs of maintaining and servicing in force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation adjustments if appropriate.

An increase in the level of expenses would result in an increase in expenditure thereby reducing the funds of the Association.

Lapse rates
The following lapse rates were assumed in preparing the projections:

Policy Year	Lapse Rate
1	20%
2	12%
3-5	5%
6 and over	4%

Surrender rates
Same as lapse rates, where surrender benefit is one-half (½) of all paid contributions.

Discount rate
Life insurance liabilities are determined as the sum of the discounted value of the expected benefits and future administration expenses directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet these future cash outflows. Discount rates are based on current industry risk rates, adjusted for the Association's own risk exposure.

A decrease in the discount rate will increase the value of the liability.

Financial Instruments
The Association's principal financial instruments are cash, short-term investments, receivables, AFS financial assets, accounts payable and accrued expenses and aggregate reserves. The main purpose of these financial instruments is to finance their operations. The carrying amounts of these financial instruments approximate their fair values. Aggregate reserves are also carried at fair value based on the valuation provided in the independent actuarial report.

For unquoted equity investments classified as AFS, these investments are carried at cost less allowance for impairment losses due to the lack of suitable methods for arriving at a reliable fair value.

Fair Value Hierarchy
As of December 31, 2015 and 2014, the Association has no financial assets or liabilities carried in the statement of financial position at fair value. As of December 31, 2015 and 2014, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

Financial Risks
The Association is exposed to financial risk through its financial assets, financial liabilities and insurance liabilities. In particular, the key financial risk that the Association is exposed to is that the proceeds from its financial assets may not be sufficient to fund the obligations arising from its insurance contracts. The most important components of this financial risk are credit risk, liquidity risk and market risk.

These risks arise from open positions in interest rate, currency and debt securities products, all of which are exposed to general and specific market movements.

Credit risk
This is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The following policies and procedures are in place to mitigate the Association's exposure to credit risk:

a. The credit risk in respect of customer balances, incurred on nonpayment of premiums or contributions will only persist during the grace period specified in the policy document or when the policy is either paid up or terminated.

b. The Association sets the maximum amounts and limits that may be advanced to corporate counterparties by reference to their long term credit ratings.

As of December 31, 2015 and 2014, the carrying values of the Association's financial instruments represent maximum exposure to credit risk at reporting date. The Association's credit risk is concentrated on its receivable from related parties.

The gross maximum exposure to credit risk of the Association approximates its net maximum exposure. There were no amounts that are set-off in accordance with the entities in PAS 32. There were no amounts subject to an enforceable master netting arrangement or similar agreement as of December 31, 2015 and 2014.

The table below provides information regarding the credit risk exposure of the Association by classifying assets according to the Association's credit ratings of counterparties.

	2015			
	Neither Past due Nor Impaired			
	Investment Grade	**Non-investment Grade**	**Past Due and Not Impaired**	**Total**
Loans and receivables				
Cash	**P=18,095,426**	**P=–**	**P=–**	**P=18,095,426**
Short - term investment	**8,000,000**	**–**	**–**	**8,000,000**
Receivables				
Receivable from related parties	**18,398,962**	**–**	**–**	**18,398,962**
Accrued interest	**667**	**–**	**–**	**667**
Others	**161,368**	**–**	**–**	**161,368**
AFS financial assets	**1,479,000**	**–**	**–**	**1,479,000**
	P=46,135,423	**P=–**	**P=–**	**P=46,135,423**

	2014			
	Neither Past due Nor Impaired			
	Investment Grade	Non-investment Grade	Past Due and Not Impaired	Total
Loans and receivables				
Cash	=17,942,921P	P=–	P=–	=17,942,921P
Short - term investment	8,000,000	–	–	8,000,000
Receivables				
Receivable from related parties	17,115,219	–	–	17,115,219
Accrued interest	444	–	–	444
Others	158,535	–	–	158,535
AFS financial assets	843,850	–	–	843,850
	=44,060,969P	P=–	P=–	=44,060,969P

The Association uses a credit rating concept based on the borrowers and counterparties' overall credit worthiness, as follows:

Investment grade	-	Rating given to borrowers and counterparties who possess strong to very strong capacity to meet its obligations
Non-investment grade	-	Rating given to borrowers and counterparties who possess above average capacity to meet its obligations

The Association trades only with members who are also members of the related parties. The receivables represent mostly of collections of the related party pertaining to contributions for premiums for life insurance and provident fund unremitted to the Association. All receivables are neither past due nor impaired.

The Association conducts periodic review of allowance for credit losses each financial year through examining the financial position of the related party and the market in which the related party operates.

Liquidity risk

This is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments.

The following policies and procedures are in place to mitigate the Association's exposure to liquidity risk:

a. The Association liquidity risk policy sets out the assessment and determines what constitutes liquidity risk for the Association. Compliance with the policy is monitored and exposures and breaches are reported to the management. The policy is regularly reviewed for pertinence and for changes in the risk environment.

b. Set guidelines on asset allocations, portfolio limit structures and maturity profiles of assets, in order to ensure sufficient funding available to meet insurance and investment contracts obligations.

The following table shows an analysis of assets and liabilities analyzed according to whether they are expected to be recovered or settled within one year and beyond one year from reporting date:

	2015					
	Up to One Year*	**1-3 Years**	**3-5 Years**	**Over 5 Years**	**No Term**	**Total**
Financial assets						
Cash	**P=18,095,426**	**P=–**	**P=–**	**P=–**	**P=–**	**P=18,095,426**
Short-term investments	**8,000,000**	**–**	**–**	**–**	**–**	**8,000,000**
Receivables	**18,560,997**	**–**	**–**	**–**	**–**	**18,560,997**
AFS financial assets	**–**	**–**	**–**	**–**	**1,479,000**	**1,479,000**
	P=44,656,423	**P=–**	**P=–**	**P=–**	**P=1,479,000**	**P=46,135,423**
Financial liabilities						
Life reserve fund	**P=–**	**P=–**	**P=–**	**P=–**	**P=22,182,619**	**P=22,182,619**
Retirement savings fund	**–**	**–**	**–**	**–**	**12,169,229**	**12,169,229**
Claims fund	**–**	**–**	**–**	**–**	**363,881**	**363,881**
Accounts payable and accrued expenses	**584,259**	**–**	**–**	**–**	**–**	**584,259**
	P=584,259	**P=–**	**P=–**	**P=–**	**P=34,715,729**	**P=35,299,988**

** Includes due and demandable accounts*

	2014					
	Up to One Year*	1-3 Years	3-5 Years	Over 5 Years	No Term	Total
Financial assets						
Cash	=17,942,921P	=P–	=P–	=P–	=P–	=17,942,921P
Short-term investments	8,000,000	–	–	–	–	8,000,000
Receivables	17,274,198	–	–	–	–	17,274,198
AFS financial assets	–	–	–	–	843,850	843,850
	=43,217,119P	=P–	=P–	=P–	=843,850P	=44,060,969P
Financial liabilities						
Life reserve fund	=P–	=P–	=P–	=P–	=21,232,181P	=21,232,181P
Retirement savings fund	–	–	–	–	11,662,469	11,662,469
Claims fund	–	–	–	–	307,266	307,266
Accounts payable and accrued expenses	652,014	–	–	–	–	652,014
	=652,014P	=P–	=P–	=P–	=33,201,916P	=33,853,930P

** Includes due and demandable accounts*

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

The following policies and procedures are in place to mitigate the Association's exposure to market risk:

a. The market risk policy sets out the assessment and determines what constitutes market risk for the Association. Compliance with the policy is monitored and exposures and breaches are reported to the association risk committee. The policy is reviewed regularly for pertinence and for changes in the risk environment.
b. Set asset allocation and portfolio limit structure, to ensure that assets back specific member liabilities and that assets are held to deliver income and gains for members which are in line with expectations of the members.

c. Stipulated diversification benchmarks by type of instrument, as the association is exposed to guaranteed bonuses, cash and annuity options when interest rates falls.

Currency risk

The Association is not exposed to significant currency risk since the Association's principal transactions are carried out in Philippine pesos and therefore, it has no foreign currency denominated monetary assets and liabilities.

Price risk

The Association's price risk exposure at year-end relates to financial assets whose values will fluctuate as a result of changes in market prices, principally, AFS financial assets.

Such investment securities are subject to 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 investment policy requires it to manage such risks by setting and monitoring objectives and constraints on investments; diversification plan; and limits on investment in each country, sector and market. Investments in derivatives are also not allowed.

As of December 31, 2015 and 2014, the Association is not exposed to significant price risk since its AFS financial assets pertains to unquoted equity securities carried at cost.

Interest rate risk

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

The Association is not exposed to significant interest rate risk.

Capital

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

As of December 31, 2015 and 2014, the Association has fully complied with the externally imposed capital requirements.

The Association considers the following as capital:

	2015	2014
Guaranty fund	**P=7,394,269**	P=7,133,829
Unappropriated fund balance	**2,817,369**	2,487,200
Appropriated fund balance	**201,364**	225,364
Donated equity	**163,776**	163,776
Total Fund Balance	**P=10,576,778**	P=10,010,169

Appropriated fund balance

On May 31, 2013, the BOT approved the appropriation of P=1.10 million from the Association's unappropriated fund balance for the educational and calamity fund assistance of the members and the retirement and employee benefits fund of the employees. The purpose of the educational fund is to give education support as help to its members and to reward members for their continuous membership in the Association. The purpose of the disaster fund is to give immediate aid to its members who may be victims of catastrophic events. The purpose of the retirement and employee benefits fund is to set aside funds for the retirement and other benefits granted to their permanent employees in case of termination or resignation from the Association. In 2014, this account was pulled out from the appropriated fund and was shown as a liability. From May 31, 2013, the fund may already be utilized as long as the provisions of the guidelines provided by the BOT are adhered to. In 2015 and 2014, P=0.02 million and P=0.87 million were utilized from the fund, respectively.

Regulatory Framework

Regulators are interested in protecting the rights of the members and maintain close vigil to ensure that the Association is satisfactorily managing affairs for the members' benefit. The regulators are also interested in ensuring that the Association maintains an appropriate solvency position to meet liabilities arising from claims and that the risk levels are at acceptable levels.

The operations of the Association are subject to the regulatory requirements of the IC. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions (e.g., MOS to minimize the risk of default and insolvency on the part of the insurance companies to meet the unforeseen liabilities as these arise, minimum guaranty fund, risk-based capital requirements).

Margin of solvency (MOS)

The Association is required to maintain at all times, an MOS equal to P=5.00 million or 10% of the total amount of its net premiums written during the preceding year, whichever is higher. The MOS shall be the excess of the value of its admitted assets (as defined under the Code), exclusive of its paid-up capital, over the amount of its liabilities, unearned premiums and reinsurance reserves.

As of December 31, 2015 and 2014, the Association's MOS based on its calculations amounted to P=10.09 million and P=9.64 million, 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:

	2015	2014
Admitted assets	**P=46,046,711**	=43,956,307P
Admitted liabilities	**35,952,653**	34,312,433
Net worth	**P=10,094,058**	=9,643,874P

As of December 31, 2015 and 2014, the estimated non-admitted assets of the Association's life operations, as defined under the Code, which are included in the statement position follows:

	2015	2014
Advances to officers and employees	**P=156,702**	P=158,535
Property and equipment – net	**18,940**	140,193
Other current assets	**307,078**	261,729
	P=482,720	P=560,457

If an insurance Association failed 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.

RBC

In October 2006, the IC issued IMC NO. 6-2006 adopting the RBC framework for the life insurance industry to establish the required amounts of capital to be maintained by entities in relation to their investment and insurance risks. Every life insurance entity is annually required to maintain a minimum RBC ratio of 100% and not fail the trend test. Failure to meet the minimum RBC ratio shall subject the insurance entity to the corresponding regulatory intervention which has been defined at various levels.

The RBC ratio shall be calculated as Members' equity divided by the RBC requirement. Whereas, Members' equity is defined as admitted assets minus all liabilities inclusive of actuarial reserves and other policy obligations.

The following table shows how the RBC ratio as of December 31, 2015 and 2014 was determined by the Association:

	2015	2014
Members' equity	**P=10,094,058**	=9,643,874P
RBC requirement	**2,758,181**	2,717,236
RBC Ratio	**365.97%**	354.91%

The final amount of the RBC ratio can be determined only after the accounts of the Association have been examined by the IC.

Unimpaired capital requirement

Insurance Memorandum Circular (IMC) 22-2008 provided that for purposes of determining compliance with the law, rules and regulations requiring that the paid-up capital should remain intact and unimpaired at all times, the statement of financial position should show that the net worth or equity is at least equal to the actual paid-up capital. The Association has complied with the unimpaired capital requirement.

Compliance Framework

IMC No.10-2006 integrated the compliance standards for the fixed capitalization and risk-based capital framework.

Subsequent to year 2006, the fixed capitalization requirement for a given year may be suspended for insurers that comply with the required RBC hurdle rate, provided that the industry complies with the required Industry RBC Ratio Compliance Rate. The IMC provides the annual schedule of progressive rates for the Industry RBC Ratio Compliance Rates and the RBC Hurdle Rates from 2007 to 2011. Failure to achieve one of the rates will result in the imposition of the fixed capitalization requirement for the year under review.

18. Supplementary Information Required Under Revenue Regulations 15-2010

The Association reported and paid the following taxes in 2015:

Value Added Tax (VAT)

As a nonstock, not-for-profit mutual benefit association, the Association was granted tax exemption with respect to value-added taxes as provided under the National Internal Revenue Code of 1997 as amended by Republic Act 8424 known as the Comprehensive Tax Reform Program by the Bureau of Internal Revenue.

Landed Cost

In 2015 the Association has no importations, thus, no custom duties and tariff fees were paid or accrued.

Excise Tax

In 2015, the Association has no excise taxes paid or accrued.

Documentary Stamp Tax

In 2015, the Association has no documentary stamp taxes paid or accrued.

Taxes and Licenses

This includes all other taxes, local and national, including licenses and permit fees under the "Taxes and licenses" in the statement of comprehensive income.

Annual IC registration fee	P=71,738
Permits and registration fees	5,800
	P=77,538

Withholding Taxes

The amount of withholding taxes paid/accrued for the year ended December 31, 2015 amounted to:

Tax on compensation and benefits	P=32,730
Expanded withholding taxes	4,018
	P=36,748

Tax Contingencies

The Association has no tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the BIR for the year ended December 31, 2015.