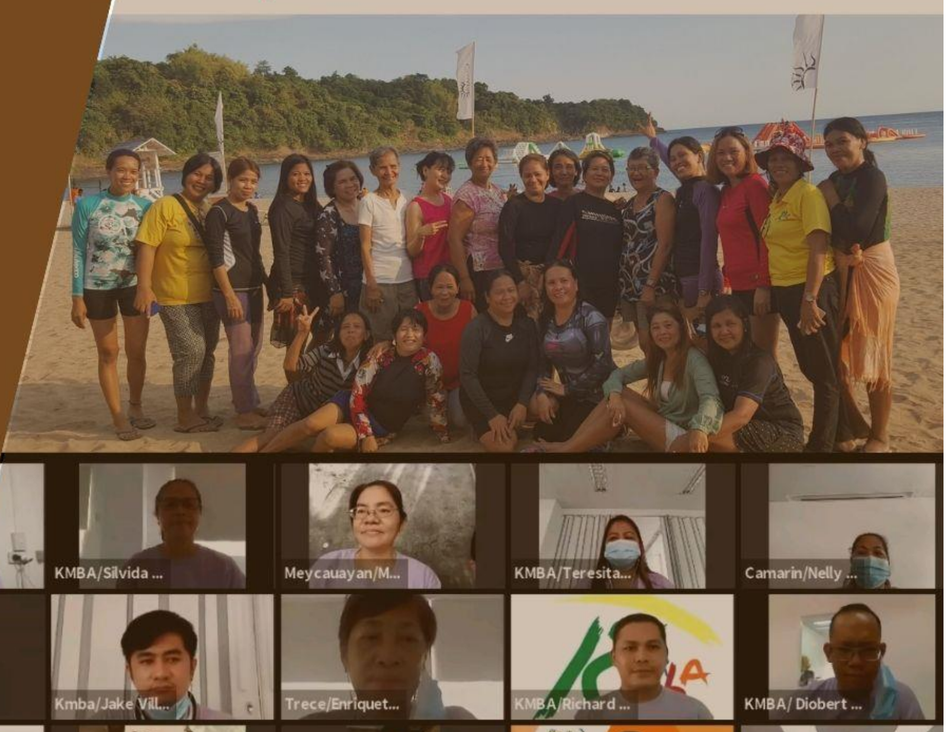
KASAGANA-KA MUTUAL BENEFIT ASSOCIATION, INC.

EMPOWERING NANAY'S WELLNESS IN THE MIDST OF THE PANDEMIC



2021

ANNUAL REPORT

MESSAGE from the **PRESIDENT**

The last two years has been a challenge, causing great impact on economy and society, affecting lives and livelihood of many. Since the pandemic in 2020, KMBA has seriously been monitoring its cash flow due to decrease in premium remittance. The major contributing factor is the continuing withdrawals and lapsation of our members. Many have lost their livelihood and unemployment to most family members not to mention those affected by the COVID-19 virus. Despite these trying times, guided with strong conviction and faith in our mission, we are firm in the belief that we will surpass all these challenges and find ways to move forward.

In 2021, we managed to maintain our promise to respond to claims within the 24-hour period upon receipt of completed documents. This has been our moment of truth. Our digitalization efforts were accelerated to better cater to our members. We are constantly upgrading our own database system. Moreover, the KMBA Mobile application is already made available at the Google Play store and enhancement is on-going to make it more user-friendly. We are hoping the entire system will be widely used in 2022. We continued to work on the growth and development, focusing on member-learning and mobile technology solutions. We learned to cope with the times. Our board and committee meetings were done online. The commitment of our staff and partners made our efforts more meaningful. These developments are solid proof of our commitment to continue to respond to the needs of our members.

Despite having to cope with the pandemic, we were also hit by strong typhoons and fire that affected and displaced our members, adding burden to their livelihoods. By the tail-end of 2021 Typhoon Odette hardly hit our members in Cebu. We will continue to be vigilant against the threat of the COVID-19 and adhere to the minimum health protocols. The campaign for vaccination has greatly helped in our economic recovery. Much of our members responded to the call and completed the vaccination.

The pandemic also prompted us to review where we are in the 2017-2022 strategic plans. We are living in worry of the uncertainty of how and when the global pandemic will end. But uncertainty breeds opportunity, the times require us to go back to the drawing board to ruminate, reflect, review, and reframe if need be. We came up with a new 6-year strategic plan and yearly plan and budget to guide us in our operations.

Though we experienced hardships due to the pandemic and the calamities, we are grateful for having sustained our 11th place overall in the 2020 ASEAN Corporate Governance Score Card given by the Institute of Corporate Directors.
Let’s give everyone a pat on the back for this notable achievement.

The times are challenging but we are hopeful we can bounce back forward in 2022. The KMBA family wishes you, your family and all of your loved ones continue to stay healthy and safe.

A Blessed 16th Anniversary KMBA!

Enriquetta Navarro

PRESIDENT

MESSAGE from the GENERAL MANAGER

Warm greetings on the celebration of KMBA's 16th Annual General Meeting!

It has always been an honor to have witnessed how KMBA made it to the road map of microinsurance MBAs, not only here in the Philippines but also in the international arena. Being a member-organization of a national as well as regional and international networks made me feel so proud to be part of.

With the result of the 2020 ASEAN Corporate Scorecard, having maintained the 11th spot in the overall ranking for the second time, only proved that KMBA is in the right direction, doing its valuable contribution to the upliftment of the poor. I fervently believe that teamwork is the key. No amount of difficulty cannot be resolved with a strong team supporting each other, acknowledging what each one can contribute to attain what is best for the institution. Due credit goes to our Board of Trustees who's been very supportive in many ways to the management since the very start of our operations.

With this year's theme, "Pagyakap sa Pagbabago Tungo sa Digitalisasyon," we hope that the development of the mobile app will be able to address the challenges in attracting more members. We have seen how the use of advanced technology such as online banking and e-wallet facilitated the smooth financial transactions during the pandemic.

We are living in uncertain times. And as we push forth, we are met with opportunities to reflect and revisit what we are doing and forge ahead remaining steadfast in our commitment with a renewed sense of purpose, hope and gratitude.

Again, congratulations to one and all.

Happy 16th Anniversary!

Silvida Reyes-Antiquera

GENERAL MANAGER

I. OUR ASSOCIATION

Vision, Mission and Goals

Each year, the KMBA Board of Trustees (BoT) convenes to review the Association's vision, mission, and goals to reflect its aspirations in addressing the needs and demands of its members. Through collaborative ideas and a comprehensive review of the strategic plans, the body unanimously agreed to maintain the following statements:

Vision

"KMBA as a self-reliant and self-sustaining mutual benefit association that actively and appropriately responds to financial risk management needs of poor Filipino families.

Mission

"To provide microinsurance products and services for the poorest Filipino families".

Goals

- *To promote basic life insurance that can broaden the safety net of the Filipino poor;*
- *To engage in socially-oriented activities that render assistance to members in terms of their security needs;*
- *To develop a cost-effective mechanism for the delivery of microinsurance products and services.*

KMBA believes in the significance of a shared vision, part of the process is communicating the organization's purpose, goals, and plans to the members and employees through the yearly roadshows together with the other institutions in the Kasagana-ka Synergizing Organizations (KSO). For this year it was done virtually due to the pandemic.

Our Products

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

Basic Life Insurance Plan (BLIP)

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

Credit Life Insurance Plan (CLIP)

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

Hospital Income Insurance Plan (HIIP)

KMBA adopted and enforced an eight-hour claims settlement policy which received a 100% rating from the network in terms of claims settlement in 24-hour or less.

The global pandemic has hastened KMBA's move towards digitalization which led to more efficient processes. Notable among the digitalization efforts is the maximized usage of KOINS, Kasagana-ka's in-house developed system, to process claims from validation to approval. This brought about further improvements in the aforementioned system. In addition, given the restrictions in movement as mandated by the government and to particularly ensure the safety of everyone, online banking was used to secure and assure the release of claims directly and immediately to their rightful beneficiaries.

All of these changes have been put in place to ensure that even in the midst of a pandemic KMBA can continuously deliver and respond to the needs of its members and their families.

Our Services

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

K- Kalinga

- This is a post-emergency housing assistance adopted by KMBA for all insured members. A maximum amount of P3,000 may be given to a covered member with totally damaged house following a natural or man-made disaster (e.g., typhoon, flooding, earthquake, fire, tsunami, volcanic eruption, tsunami, lightning strikes, and terrorism).

Calamity Assistance

- This service, in partnership with an insurance provider, is a Php20-a-year policy, which provides cash benefits for natural or accidental death. KMBA extends this as a benefit to all insured members.

K- Bente

- This scholarship program is open to high school and college students for children of KMBA members. All applicants have to pass a qualifying exam, and a background check. To keep their scholarships, high school beneficiaries should get a grade average of 82%, while college students should obtain 2.5 or its equivalent (with no failing marks and two grades of incomplete in their enrolled subjects).

Kuya Jun Scholarship Program

The Kuya Jun Scholarship program began soon after KMBA's establishment, this was named after Mr. Severiano "Kuya Jun" C. Marcelo Jr., the first executive director of Kasagana-ka Development Center, Inc. (first among the four institutions in the Kasagana-ka Synergizing Organizations), who passed away in 2008.

Targets for 2021

- Increase in members' outreach by 10%
- Increase in revenue by 10%
- Maintain a combined OPEX of 20%
- Implement online claims transactions
- Establish at least 1 consortium partner
- Conduct of 15th Annual General Meeting
- On-time compliance of regulatory requirements
- Prepare documents for application of tax exemption
- Partner with other insurance providers for COVID-related reinsurance products
- Participate actively in the lobbying efforts and other activities of MiMap and ICMIF

KASAGANA-KA
MUTUAL BENEFIT ASSOCIATION, INC.

2021 BY THE NUMBERS

MEMBERSHIP

MEMBERS **42,735** OR **201,340** COVERED LIVES

PRODUCT AND SERVICES

BLIP

599 Number of Claims

PHP **12.9M** Amount of Claims

CLIP

269 Number of Claims

PHP **3.4M** Amount of Claims

HIIP

26 Number of Claims

PHP **60,200** Amount of Claims

K-KALINGA

12,344 Enrolled with **7** Claims

PHP **125,000** Amount of Claims

K-BENTE

44,307 Enrolled with **43** Claims

PHP **257,000** Amount of Claims

KUYA JUN SCHOLARSHIP PROGRAM

90 Highschool and **40** College Student

PHP **527,000** Financial Assistance

CALAMITY ASSISTANCE

494,223 Assistance given for almost **77** Recipients

RECOGNITION

Placing 11th among the Insurance Companies and Mutual Benefit Associations in the 2020 ASEAN CORPORATE GOVERNANCE SCORECARD awarded by the Institute of Corporate Directors (ICD)

2021 Accomplishments

Financial Performance

In the second year of the pandemic, its impact on the financial status of KMBA is already apparent compared to the previous year. The assets of KMBA decreased by P7.3M; this is a 3.08% decrease compared to 2020's figures. Of the total assets, 15% are current assets while 85% are non-current assets. On the average, KMBA has registered an 7% annual growth in assets since 2016.

Liabilities also decreased by 29.3M or 19%. The fund balance increased by P29.97M, closing at P105.64M by end of 2021 due to the reclassification of the reserve liability (Equity Value and Retirement Savings Fund) to Restricted Fund Balance of lapsed members who are more than 3 years. Still, KMBA has managed a 13% average annual growth in fund balance since 2016.

Financial Highlights (2020-2021)
(in peso millions)

Particular	2021	2020	% Variance
Assets	P 230,635,866.00	P 237,971,709.00	(3.0%)
Liabilities (50% Reserves & RF)	124,998,169.00	154,305,500.00	(19.0%)
Fund Balance (Guaranty Fund + Unassigned Surplus + Net Surplus)	105,637,697.00	83,666,209.00	26.2%
Net Income	24,857,834.00	10,439,583.00	138%
Members' Contribution	27,755,925.00	32,383,598.00	914.29%)
Premium	10,826,485.00	8,392,288.00	29%

Particular	2021	2020	% Variance
Operating Expense	12,022,118.00	11,011,863.00	9.17%
Liquidity Ratio	112.99%	154.22%	(41.23%)
Margin of insolvency	123.74%	132%	(8.26%)

Membership

The effects of the pandemic were evident in the status and growth of membership of the Association since most of the livelihoods of those in the urban poor communities were greatly affected. The year ended with KMBA having a total membership of 42,735, of which 32, 692 or 76% is from K-COOP, the rest are from partner-institutions' CAPS-R and JVO Baguio collectively and some associate members.

Considering the 41,205 legal or common-law spouses of members and their 117,400 children. Overall, 201,340 lives were covered by KMBA and of which 93% are women.

Despite having new members from month to month, garnering a total of 14,311 new members by the end of 2021, the increase was not felt due to the greater number of resignations which totaled 14,829 members. Per records, 31% of those who resigned are members for more than 3 years, 29% were members for 1 to 2 years and 19% are members between 3 months to 1 year. This led to a 19% decrease in membership compared last year.

Of the total members, 4,141 have lapsed accounts. These members remain as active loan borrowers although they failed to update their insurance premiums because their livelihoods have been affected by the pandemic. Understandably in the communities, day-to-day spending will take precedence over loan amortizations and microinsurance premiums.

Organization	Number of policies inforce	Number of policies lapsed	Total
K-Coop	30,375	2,317	32,692
KMBA Associate	483	188	671
CAPS-R, Inc	7,557	1,486	9,043
JVOFI Baguio	179	150	329
TOTAL	**38,594**	**4,141**	**42,735**

221 memberships were terminated last year upon reaching the exit age of 65 years old. A total of Php 1,420,584.81 in benefits, including 50% equity value, retirement savings fund, and interest earnings were paid to said members.

In totality, the decline in membership was due largely to the loss of livelihood of most members. Some are still slowly regaining from what transpired in 2020. There are family members who also lost their jobs making it more difficult for the family to make ends meet. But this predicament also paved a way for KMBA to campaign for microinsurance not only to existing members and families but also to other groups such as jeepney associations, community-based groups, and even government-assisted housing and resettlement projects, NGOs and other private-initiated groups. The situation served as an eye-opener for these vulnerable sectors to see the significance of being prepared regarding unexpected risks especially caused by disasters and even a pandemic. With this, various product orientations were launched. Due to the perceived risk to life and employment caused by COVID-19, the importance of microinsurance was easily understood and accepted.

There were exploratory discussions with and product orientation for the team of Iskaparate.com but the system of enrollment is still under study. The same goes for other groups. Around 300 members were added from small community groups as well as relatives of existing members.

Claims

At the height of the pandemic, Basic Life Insurance claims settlement slightly increased from 547 the previous year to 599 in 2021. From this number, 267 are members and 332 are dependents. This translated to P12.9 Million in claims disbursement and a claims ratio of 46.8%. From the total claims, 96 are COVID/Pneumonia related deaths. Though small in percentage when viewed across the membership but still this a 26% increase from last year's figures. Related to this, noteworthy is the sudden spike of COVID/Pneumonia deaths in the months of August and September. Overall, the top 3 common causes of death are Cardiovascular, Respiratory, and Hematological.

Period	Number of Claims	Amount of Claims Disbursement
2006-2020	4,347	P 67.09 M
2021	599	12.99 M
Total	4,946	P 80.08 M

Moreover, exit age in 2021 meant about 221 policies equivalent to P1.4M. This is a significant increase compared to 2020's 116 policies equivalent to only P732K. Forward-looking, KMBA hopes to design a product for those in exit age because they are the ones who need insurance the most.

In matters related to the process, the digitalization efforts explored in 2020 was already institutionalized in 2021. The shift to online claims processing in 2020 allowed for a faster and more efficient release of claims especially given the restrictions in movement and granular lockdowns in the communities. As previously mentioned, online banking and transfers thru digital platforms such as e-wallets was used to release claims but like some changes, the absence of the claimant's bank or specifically a G-cash account (G-cash is the widely used e-wallet service in the communities) has become a challenge. Hence, those who do not have an existing bank or G-cash account are encouraged to open one. This improvement in the claims process expedited the release of claims and provided an assurance that the benefit went directly to the claimant. Also, the area coordinators were helpful in terms of initial validation and in assisting the claimant/family in the submission of the required documents. Scanned or digitalized documents were also accepted as valid requirements.

Given these changes, strict monitoring of the process is carefully being undertaken to make sure that appropriate checks and balances are in place and that all claims are released on time.

Products and Services

BLIP

As KMBA proceeds to expand its life insurance coverage to more individuals through partnerships especially in the time of the pandemic, it is also seeking ways to improve the benefits received by existing members.

CLIP

KMBA covered 97,894 loans in 2021 which generated 7.3M in premium contributions, and re-insured 127 loans. This number maintained 100% coverage of all K-Coop loan products (except for K-Kalusugan and K-Benepisyo), as well as all loan products of CAPS-R. KMBA covers loans up to an aggregate amount of Php 200,000.00. However, to be able to manage future risks, loans in an aggregate amount exceeding Php 200,000 is being reinsured with the First Life Financial Company, Inc.

Particular	2021	2020
Number of loans covered by CLIP	97,894	80,992
Premium collected	P8,489,485.00	P 7,266,485.00
Number of claims	269	202
Amount of claims	3,470,762.22	2,350,083.00
Claims ratio	40.8%	32%

The CLIP claims distribution in 2021 are as follows:
223 under K-COOP with P2.8M claims, 43 under CAPS-R with P474K claims and, 3 with other associates with 193K claims. Disbursements reached P3.4 Million, or 40.8% of total premium collections for the year.

KMBA is also one of the participating MBAs in the Life Catastrophe Excess of Loss Reinsurance Treaty (CatXol) provided by the National Reinsurance Corporation of the Philippines (NATRE). This reinsurance coverage is for life and credit life insurance of all active members. This is renewed each year and KMBA shoulders the additional premiums as an added benefit to its members. KMBA as a member of MiMAP (MicroInsurance MBA Association of the Philippines) a network of MBAs helped to lower the premiums.

Hospital Income Insurance Plan

This insurance coverage was originally intended for K-Coop loan borrowers. An insurance coverage for periods when an insured is unable to work owing to hospital confinement. Members can get a full-year coverage for only Php 250.00; this is renewable every year.

In 2021 there were 2,204 HIIP enrollments, collected P551K in premiums and processed 26 claims amounting to a total of P60,200 with a claims ratio of 2.58%.

Period	Number of Claims	Amount of Claims Disbursement
2019	31	P 49,600.00
2020	48	89,200.00
2021	26	60,200.00
TOTAL	105	P 199,000.00

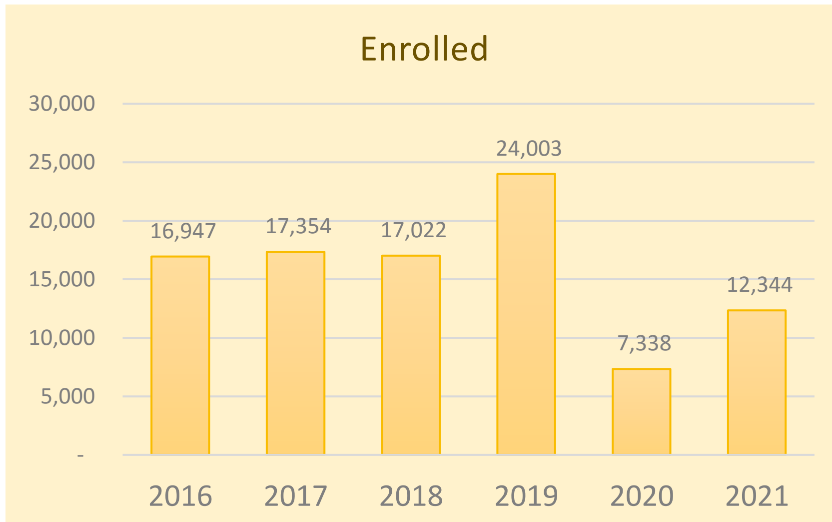
This product turned out to be a big help especially during the time when COVID-19 is prevalent in the communities since members are often exposed due primarily to their occupation. This provided a sense of security knowing there is an insurance in case they get sick.

K-Kalinga
With an annual premium at Php 50.00 per unit, a policy holder may avail of up to five (5) units and receive benefits of Php 25,000.00 for accidental death and Php 10,000.00 for fire assistance for each unit.

In 2021, K-Kalinga enrolled 12,344 policies equivalent to Php 617,200.00 in total. Seven (7) policy-holders claimed fire assistance benefits amounting to Php 125,000.00 in total.

In previous years, 2019 has the highest record of 24,003 enrollees with total sales of P1.2M.

In 2022, KMBA endeavors to reach at least 15,000 units, and continuously strive to improve the claims settlement process together with the insurance provider.



K-Bente
This is an added benefit of one (1) policy for each active and loyal member for free, in partnership with First Life Financial, Inc. as the underwriter.

By year-end, there were 44,307 enrolled members, a little below the desire of First Life to keep enrolment to a minimum of 50,000 units. Still at Php 20.00 policy premium per year, premiums for those enrolled amounted to Php 886,140.00

This year, First Life has paid out Php 257,000.00 in total claims for 43 claimants, and has been able to complete the claims process within 10 days.

KMBA hopes to keep the viability of the K-Bente policy and be able to continue to grant coverage to every member for free. It will also be offered to family members in 2022.

Calamity Assistance
Each year the Association sets aside an amount for calamity assistance. This is an additional benefit for members with no additional premium contributions.

Apart from the pandemic because there are around an average of twenty (20) storms and typhoons in the Philippines each year, typhoon related disasters also disrupted the lives and homes of several members. The most notable in 2021 is Typhoon Odette being the strongest for that year. KMBA shared Php 196,000.00 to aid those affected by the different typhoons that year.

Php 196,000.00

Typhoon- related

Given the current situation and the Board approval in 2020 to allot Php 150,000.00 to support expenses for swab-testing of all employees in the Kasagana-ka Synergizing Organizations, should it be necessary, the Association spent Php 128,223.00 in pandemic-related response this year.

Php 128,223.00

Swab-testing

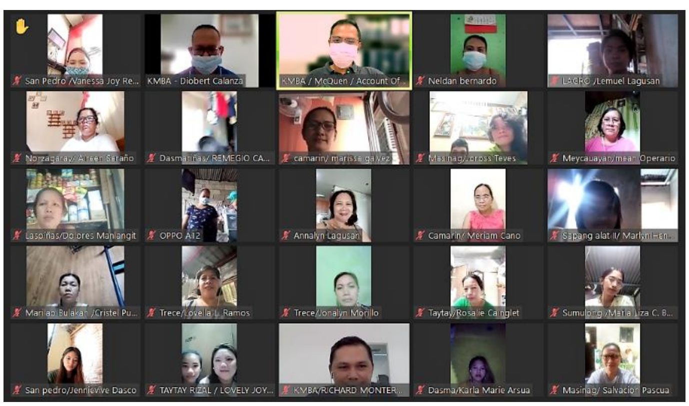
There were also fire emergencies as most were at home and electrical connections are used for longer hours. KMBA acted by donating Php 170,000.00 as assistance to families affected by fire accidents.

Php 170,000.00

Fire-related

Kuya Jun Scholarship Program

Another service for the members is the Kuya Jun Scholarship Program (KJSP) which grants every college student beneficiary a Php 5,000.00 stipend per semester and every high school student (up to those in senior high school), Php 3,000.00 for the year.



The program served 130 qualified children of members, 90 of them in high school, while 40 are pursuing tertiary education.
A total of Php 527,000.00 in scholarship grants were given out last year. Since the it started in 2007, the program disbursed a total of Php 5,725,721.00 in educational assistance to qualified student beneficiaries

Networks

KMBA believes in the importance of building strong long-term institutional relationships.

The Association deeply appreciates the trust of the community of microinsurance MBAs. This is shown in part by its role as resource speaker in learning sessions and fora organized by MiMAP. Moreover, General Manager SIlvida R. Antiquera serves as a member of the MiMAP Board of Trustees from March 2021 up to the present.

MiMAP continuously initiates in the formulation and review of policies essential to the growth and sound governance of MBAs. Notable among these are on the tax-exempt status of MBAs, possible utilization of the equity value through product enhancement, and adopting a self-regulatory policy environment.

KMBA is also an active member of ICMIF (International Cooperative and Mutual Insurance Federation) and AOA (Asia Oceania Organization) network through participation in their webinars and as a resource speaker.

To promote the financial growth and protection of MBAs, KMBA remains an active participant in different network-initiated investment pool and activities and unceasingly explores high yielding investments for MBAs.

With the financial risks brought about by the pandemic, the Association will continue to seek tie-ups with partner providers for the development of insurance products tailored to better respond to the needs of the partner cooperatives/microfinance institutions.

To keep abreast of developments in the industry, despite restrictions in travel and face-to-face events KMBA pushed through with attending webinars, seminars, and conferences organized by our regional and international networks.

Other Accomplishments

KMBA pushes through with its commitment to uphold, and strengthen good governance principles in its operations. Pursuant to such commitment, the Board of Trustees has approved KMBA's Internal Audit Charter and the approval of the creation of two (2) additional Board Committees: (1) Board Risk Oversight Committee combined with the Corporate Governance Committee, and (2) Related Party Transactions Committee. All organization manuals are continuously updated, reviewed, and duly approved by the Board every start of the year.

An up-to-date compliance calendar guides KMBA's preparation and submissions of all government regulatory requirements.

KMBA ranked 11^{th} place among the 119 life, non-life and MBA's overall performance in the 2020 ASEAN Corporate Governance Scorecard, released in late 2021 and ranked 2^{nd} among the 31 MBAs in the country. This is both a confirmation and a testament of the Association's good, transparent, and prudent management towards the organization's long-term sustainability and growth.

The pandemic hastened the transfer of K-COOP and KDCI from the Don Enrique Heights office to the KMBA Members' Center. Aside from these two lessees, some groups also use the function halls for meetings and trainings which contributed to revenue-generation. In 2022 as restrictions slowly ease, KMBA looks forward to more space rentals in the building. Strategically located in Quezon City, special rates are available for NGOs for room and function hall rentals. In terms of security, the building is manned by 24-hour shift security personnel. Full-time maintenance and housekeeping personnel were also hired.

"KMBA continues to adapt, respond, and persists to move forward for its members amidst the pandemic"

II. CORPORATE GOVERNANCE AND MANAGEMENT

Board of Trustees

The Board of Trustees, whose majority are non-executive trustees. Of the nine (9) trustees, 5 are non-executive and 4 are executive. This body sets the tone in upholding the principles of sound corporate governance by responsibly governing, controlling, and managing the affairs, funds, and property of the Association.

Aptly themed, *"Pagpapaunlad ng Tapat na Serbisyo: Cheers to 15 Years,"* implying positive vibes despite trying times. The 15th Annual General Meeting of the Association was held on May 31, 2021 via Zoom videoconferencing and streamed live thru the KMBA Facebook page. Two (2) new Board of Trustees were elected to fill up vacancies.

Below are the members of the Board of Trustees of KMBA and their respective terms of office and profile:

Trustee

Enriqueta V. Navarro
President

Age: 65
Qualification:
Bachelor of Science in Civil Engineering (undergraduate) at FEATI University Manila batch 1977

Leadership Profile

Business: Sari-sari store, Baking pastries and frozen goods
Background: Has served as Coordinator for 3 years and K-COOP Center Chief Officer for 8 years
Current Directorship: Board of Trustee
Term of Office: 3 years (2019-2022)
Type of directorship: Executive
Other current Corporate Directorship: President of Gracefully Aging Seniors Association Nationwide and Chairman of Belvedere 1&2 Home Owners Association
Other Corporate Leadership: Treasury Committee Chairperson, Member of Product Development and Innovation Committee and Risk Committee

Trainings and Seminars Attended:

2019	
JUNE 5-7	Governance and AMA Workshop
2020	
JAN 20-21	Needs Assessment for Assessment for Member Education under Citi Project and Planning Workshop for Financial Literacy in partnership with Sparkassenstiftung fur international Kooperation) at KMBA Members Center Building
JAN 26-27	Leadership Training Workshop at Bayview Park Hotel
JAN 30	National Microinsurance Forum at PICC
APR 17	Investing in the Time of COVID 19 (webinar)
JUNE 29	E-Learning Platform 101 (webinar)
JULY 6	Briefer on ARISE Philippines Act and National

	Unemployment Insurance Program (webinar)
JULY 23	Online Roadshow-Progresso Bonds (webinar)
JULY 27	Learning Session on Social Media 101 (webinar)
JULY 30	Webinar on Progreso Bonds RTB 24
AUG 7	Briefer on TRAIN Package 4, PIFITA
SEPT 7	Enhancing Mi-MBA's Performance Management System
SEPT 21	Center Meeting and Social Distancing (Learning Session)
2021	
JAN 26-27	National Microinsurance Forum: "Thriving in the New Normal
FEB 22	Ensuring Continued Member Protection: The Mi-MBA Way
MAR 22	Lecture Series: Promoting Good Governance through Strengthened MBA-MFI/COOP Partnership
MAY 20	Learning Series with Spark: Introduction to Risk Management
JULY 26	Discovering Innovation through Digitalization
AUG 11-13	Leadership Training Workshop: Soft Skills for Servant Leadership
DEC 13	Communicating in the Next Normal

Alma D. Gilbaliga
Vice President

Age: 55
Qualification: Graduate of Secondary School at Sergio Osmeña High School batch 1983

Business: Buy and Sell
Background: Has served as KMBA Coordinator for 3 years and K-COOP Center Chief officer for Ten (10) years
Current directorship: Board of Trustee
Term of Office: 3 years (2019-2022)
Type of directorship: Executive
Other current Corporate Directorship: None
Other Corporate Leadership: Risk Committee Chairperson, Audit Committee Member

Trainings and Seminars Attended:

2019	
JUNE 5-7	Governance and AMA Workshop
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AUG 11-13	Leadership Training Workshop: Soft Skills for Servant Leadership
DEC 13	Communicating in the Next Normal

Jonalyn T. Andres
Secretary

Age: 35
Qualification: Graduate of BS Nursing at Our Lady of Fatima University, Valenzuela

Background: K-COOP Cluster Manager
Current directorship: Board of Trustee
Term of Office: 3 years (2020-2022)
Type of Directorship: Executive
Other current Corporate Directorship: President of Kasagana-ka Employee-Employers' Provident Fund Association Inc. (KEEPF)
Other Corporate Leadership: Product Development & Innovation Committee member

Trainings and Seminars Attended:

2020	
FEB. 4-5, 11-12, 19-20	Web Grid Training (National Resiliency Council and Xavier University)
APRIL 6-8	Rebuilding and Resiliency Training
JUNE 7	Cohesion in Leadership
JULY 7-8	Stress Management and Resiliency Program
SEPT 26	Quantum Geographic Information System Training
OCT 1	Thriving in the new normal. Managing stress and anxiety at work
OCT 27	Business Continuity Plan
OCT 27	Distress Debtors, their options in the midst of the Pandemic
2021	
JAN 26-27	National Microinsurance Forum: "Thriving in the New Normal
FEB 22	Ensuring Continued Member Protection:

MAR 22	The Mi-MBA Way Lecture Series: Promoting Good Governance through Strengthened MBA-MFI/COOP Partnership
MAY 20	Learning Series with Spark: Introduction to Risk Management
JULY 26	Discovering Innovation through Digitalization
AUG 11-13	Leadership Training Workshop: Soft Skills for Servant Leadership
DEC 13	Communicating in the Next Normal

Teresita D. Padel
Treasurer

Age: 46
Qualification: Graduate of Secondary School at Sumulong Memorial High School batch 1992

Background: Has served as KMBA Coordinator for 3 years and K-COOP Center Chief for Eleven (11) years
Business: Sari-sari store and E-loading system
Current directorship: Board of Trustee
Term of Office: 3 years (2019-2022)
Type of directorship: Non-executive
Other current Corporate Directorship: None
Other Corporate Leadership: Product Development and Innovation Chairperson, Member of Nomination & Election Committee, Treasury Committee and Risk Committee

Trainings and Seminars Attended:

2019	
OCT 9-11	Governance and AMA Workshop
2020	
JAN 26-27	Leadership Training Workshop at Bayview Park Hotel
JAN 30	National Microinsurance Forum at PICC
APR 17	Investing in the Time of COVID 19 (webinar)
JUNE 29	E-Learning Platform 101 (webinar)
JULY 6	Briefer on ARISE Philippines Act and National Unemployment Insurance Program (webinar)
JULY 23	Online Roadshow-Progresso Bonds (webinar)
JULY 27	Learning Session on Social Media 101 (webinar)
JULY 30	Webinar on Progreso Bonds RTB 24
AUG 7	Briefer on Train Package 4, PIFITA
SEPT 7	Enhancing Mi-MBA's Performance Management System
SEPT 21	Center Meeting and Social Distancing (Learning Session)
OCT 28	Financial Management
NOV 12	Investors Briefing on Premyo Bonds 2
2021	
JAN 26-27	National Microinsurance Forum: "Thriving in the New Normal
FEB 22	Ensuring Continued Member Protection: The Mi-MBA Way

MAR 22	Lecture Series: Promoting Good Governance through Strengthened MBA-MFI/COOP Partnership
MAY 20	Learning Series with Spark: Introduction to Risk Management
JULY 26	Discovering Innovation through Digitalization
AUG 11-13	Leadership Training Workshop: Soft Skills for Servant Leadership
DEC 13	Communicating in the Next Normal

Jeronima C. Teodoro
Trustee

Age: 44
Qualification:
Graduate of Computer Science at Jose Rizal College batch 1998

Business: Buy and Sell
Background: Has served as KMBA Coordinator for 1 year and K-COOP Treasurer officer for 4 years
Current directorship: Board of Trustee
Term of Office: 3 years (2021-2024)
Type of directorship: Non-executive
Other current Corporate Directorship: None
Other Corporate Leadership: None

Trainings and Seminars Attended:

	2021
JUNE 16-18	Governance and AMA Workshop
JULY 26	Discovering Innovation through Digitalization
AUG 11-13	Leadership Training Workshop: Soft Skills for Servant Leadership
DEC 13	Communicating in the Next Normal

Marlin C. Perez
Trustee

Age: 53
Qualification:
Graduate of Secondary School at Antipolo Municipal High School batch 1984

Business:
Background: Has served as KMBA Coordinator for 6 years and K-COOP Center Chief for 16 years
Current directorship: Board of Trustee
Term of Office: 3 years (2021-2024)
Type of directorship: Non-executive
Other current Corporate Directorship: None
Other Corporate Leadership: None

Trainings and Seminars Attended:

	2021
JUNE 16-18	Governance and AMA Workshop
JULY 26	Discovering Innovation through Digitalization
AUG 11-13	Leadership Training Workshop: Soft Skills for Servant Leadership
DEC 13	Communicating in the Next Normal

Philip Arnold P. Tuaño
Independent Member

Age: 53
Qualification: Ph. D., Economics, University of the Philippines, 2015, MA Economics, University of the Philippines 2001, MA Development of Economics, University of Sussex, 1996, AB Major in Economics, Ateneo De Manila University 1989

Term of Office: 3 years (2020-2023) re-elected
3 years (2017-2020)
Current Directorship: Board of Trustee
Type of Directorship: Non-executive
Other Current Corporate Directorship: None
Other Corporate Leadership: Chairperson of Audit Committee, Nomination & Election Committee and Related Party Transaction Committee

Trainings and Seminars Attended:

2020	
JULY 6	Briefer on ARISE Philippines Act and National Unemployment Insurance Program
JULY 30	Webinar on Progreso Bonds RTB 24
SEPT 7	Enhancing Mi-MBA's Performance Management System
OCT 28	Financial Management
2021	
JAN 12	Adaptive Design for Learning Training, Online ADMU
JAN 26-27	National Microinsurance Forum: "Thriving in the New Normal
FEB 22	Ensuring Continued Member Protection: The Mi-MBA Way
MAR 22	Lecture Series: Promoting Good Governance through Strengthened MBA-MFI/COOP Partnership
MAY 20	Learning Series with Spark: Introduction to Risk Management
JUNE 18, 20-21	United Board Fellows Program Training
JUNE 19 &26	United Board for Christian Higher Education in Asia
JULY 3&10	Empath Psychosocial Support Training, Ateneo de Manila
JULY 26	Discovering Innovation through Digitalization
AUG 6	Social Science 14 Teacher Training Session
AUG 11-13	Leadership Training Workshop: Soft Skills for Servant Leadership
DEC 13	Communicating in the Next Normal

Atty. Maria Cleofe Gettie C. Sandoval
Independent Member

Age: 58
Qualification: Juris Doctor, Ateneo De Manila University Law School Makati, 1991, BA major in Economics, Ateneo De Manila University Quezon City 1985

Term of Office: 3 years (2021-2024)
(2018-2021)
Current Directorship: Board of Trustee
Type of Directorship: Non-Executive
Other Current Corporate Directorship: None
Other Corporate Leadership: Chairperson of Board Risk Oversight Committee, Member of Audit Committee and Nomination and Election Committee

Trainings and Seminars Attended:

	2020
JULY 6	Briefer on ARISE Philippines Act and National Unemployment Insurance Program
JULY 30	Webinar on Progreso Bonds RTB 24
SEPT 7	Enhancing Mi-MBA's Performance Management System
OCT 28	Financial Management
	2021
JAN 26-27	National Microinsurance Forum: "Thriving in the New Normal
FEB 22	Ensuring Continued Member Protection: The Mi-MBA Way
MAR 22	Lecture Series: Promoting Good Governance through Strengthened MBA-MFI/COOP Partnership
MAY 20	Learning Series with Spark: Introduction to Risk Management
JUNE 16-18	Governance and AMA Workshop
JULY 26	Discovering Innovation through Digitalization
AUG 11-13	Leadership Training Workshop: Soft Skills for Servant Leadership
DEC 13	Communicating in the Next Normal

Board Roles and Responsibilities
The specific responsibilities of the Board are indicated in the Association's Corporate Governance Manual. Approval of the annual plans and budget is done every November of each year.

Continuing Education and Leadership Development of the Board of Trustees
Given the pandemic, most of the seminars were done virtually. The Board gained valuable learnings and insights about a wide-range of topics especially on digitalization, leadership, and risk management as well as IC-mandated trainings and seminars.

Board Meetings

The KMBA Board of Trustees convened in eight (8) regular meetings and Annual General Meeting last year. These meetings were held via videoconferencing, in compliance with prevailing quarantine restrictions. The Board draws up annually a calendar of meetings, and implements an attendance policy for members and committees to ensure participation and quorum.

TRUSTEE	DESIGNATION	ANNUAL MEETING	REGULAR MEETING	%
Enriqueta V. Navarro	President	☑	**8**	**100**
Alma D. Gilbaliga	Vice-President	☑	**8**	**100**
Lilibeth N. Molina (May 2019-July 2021)	Treasurer	☑	**5**	**100**
Teresita D. Padel (Sept. 2021- May 2022)	Treasurer	☑	**8**	**100**
Jonalyn T. Andres	Secretary	☑	**8**	**100**
Jenifer L. Abao (May 2019- May 2021)	Trustee	☑	**4**	**50**
Marlin C. Perez (May 2021-May 2024)	Trustee	☑	**4**	**50**
Rita T. Dela Cruz (May 2019-May 31, 2021)	Trustee	☑	**4**	**50**
Jeronima C. Teodoro (May 2021- May 2024)	Trustee	☑	**3**	**50**
Philip Arnold P. Tuaño	Independent Member	☑	**8**	**100**
Ma. Cleofe Gettie C. Sandoval	Independent Member	☑	**7**	**87**

Board Committees

Since members of Board committees serve a one-year term, elections for committee positions were held in the 15th Annual General Meeting. Aside from the term of office, the composition of the committee, qualifications and selection are all set in the Association's Corporate Governance Manual.

Below is the Board committee's composition and their members' participation in committee meetings and the matters discussed by each Committee in 2021.

Audit Committee

Pursuant to the Government Manual, independent Trustees make up the Audit Committee. Directly accountable to the General Assembly, the Audit Committee continuously monitors the adequacy and effectiveness of the KMBA's management control system, and has the power to audit the performance of its operations.

The Audit Committee held seven (7) meetings last year to discuss and decide on the following matters:

1. Engagement meeting with the External Auditor and planning for audit schedule
2. Review of possible related party transactions
3. Initial Findings of the External Auditor
4. Presentation of Audited Financial Reports and exit meeting
5. Presentation and Approval of the Annual Audit Plan
6. Presentation of Q1 Audit Results and Internal Audit Charter
7. Internal Audit Report- 2nd and 3rd Quarter

Through these meetings, the Committee performs its role of providing internal audit service to the Association, in coordination with the Internal Audit of the Service of the KSO, prior to the independent review of the external auditor.

Committee Member	Designation	Meetings Attended	% to total meetings
Philip Arnold P. Tuaño	Chairperson	7	100
Atty. Maria Cleofe Gettie C. Sandoval	Member	7	100
Alma D. Gilbaliga	Member	6	85

Treasury Committee

The Treasury Committee's main task is to review, advise, and recommend approval, decision, or action on financial matters. Acting on its mission, the committee held a total of four (4) meetings last year, with the following agenda:

1. Review financial statements of the Association and identify investible funds
2. MiMAP pooled investments managed by BPI Bayanihan Balanced Fund
3. Monitor shares in the Mutual Guarantee Fund managed by Union Bank

Committee Member	Designation	Meetings Attended	% to total meetings
Enriqueta V. Navarro	Chairperson	4	100
Teresita D. Padel	Member	4	100
Rita T. Dela Cruz	Member	3	75
Eduardo M. Pangan	Member	3	75

Product Development and Innovation Committee

This Committee has been busy in enhancing claims settlement processes this year in the process of transition to an effective online system. And, given the emerging needs of KMBA members, as highlighted by this pandemic, KMBA through this Committee, is in search of insurance products tailored to address similar financial risks. It also subjects to periodic review KMBA's partnership agreements with other insurance providers, including the set of benefits accorded by the products they offer to the members.

Last year, this Committee convened three (3) times to tackle the following concerns:

1. K-Bente Group Policy Renewal
2. Review of the existing Partnership with Malayan
3. Review of Eight (8) Hour Claims Settlement Policy

Committee Member	Designation	Meetings Attended	% to total meetings
Teresita D. Padel	Chairperson	3	100
Jonalyn T. Andres	Member	3	100
Enriqueta V. Navarro	Member	2	67
Sylvia Trijo	Member	2	67
Nelly Vengano	Member	3	100

Nomination and Election Committee

With the conduct of the elections via electronically, the Committee provided leadership and supervised the transparent conduct, manner, and procedure of elections of Committee members in 2021, including canvassing and certifying election results, proclaiming the winning candidates. This committee also ensures that the profile of the candidates to the Board are aligned with KMBA's strategic direction as approved during the 2017-2022 Strategic Plans,

"To maintain the existing symbiotic relationship with the KSO family and form a consortium outside of the KSO family that will serve as another distribution channel in the delivery of its product and services."

To prepare it for its all-important role, the Committee held four (4) meetings last year:

1. Review of the Election Rules and Guidelines, policy and process
2. Presentation of the schedule of activities
3. Presentation of Potential Coordinators for nomination, schedule of activities to satellite office, preparation of Nomination and Proxy Votes Forms
4. Preparation of accomplished proxy votes form for consolidation and actual canvassing

Committee Member	Designation	Meetings Attended	% to total meetings
Philip Arnold P. Tuaño	Chairperson	4	100
Atty. Maria Cleofe Gettie C. Sandoval	Member	3	75
Teresita D. Padel	Member	4	100
Nelly S. Vengano	Member	4	100
Rita T. Dela Cruz	Member	2	50

Ethics Committee

The Ethics Committee actively disseminates, promotes, and implements the approved Code of Ethics and Conduct of the Association, which must be observed by members, officers and employees alike. The Committee likewise conducts initial investigation and/or inquiry upon receipt of complaints of non-compliance with the Code, and other illegal or corrupt practices. The Committee submits its recommendation to the Board for appropriate sanctions.

The Committee conducts semestral assessments of adherence to the ethical conduct. Last year, the committee held four (4) meetings with the following agenda.

1. Review of Organization Code of Ethics
2. Review of Anti-Fraud Manual and Anti-Corruption Policy
3. Review of Board Assessment Tools
4. Conduct of annual board performance assessment

Committee Member	Designation	Meetings Attended	% to total meetings
Wenifreda F. Rodriguez	Chairperson	3	100
Leticia T. Rodriguez	Member	3	100
Chona B. Capayas	Member	3	100
Isabel M. Iliw-iliw	Member	3	100

Risk Management Committee

The Committee regularly reviews KMBA's risk management framework. From its studies, the Committee advises the Board on risks inherent in KMBA's transactions and business plans, and monitors management's responsiveness to the Committee's inputs and recommendations.

The Risk Management Committee is actively in coordination with the KSO Risk Management Committee. Last year, the committee convened three (3) times with the following agenda.

1. Review of Key Risk Indicators
2. Review of Risk Management Manual
3. Risk Assessment and Management Plan for 2022

Committee Member	Designation	Meetings Attended	% to total meetings
Alma D. Gilbaliga	Chairperson	3	100
Enriqueta V. Navarro	Member	2	67
Emerenciana Manalo	Member	3	100
Teresita D. Padel	Member	3	100
Luzviminda G. Bata	Member	2	67

Board Risk Oversight and Corporate Governance Committee

The Board Risk Oversight Committee (BROC) together with the Corporate Governance Committee is responsible for the oversight of the company's Enterprise Risk Management System both financial and non-financial risks of the organization and continuous assessment to ensure its functionality and effectiveness and to assist the board in the performance of its corporate governance responsibilities. It sets the tone and culture of effective risk governance structure and sets the organizational risk strategies. The Board Risk Oversight Committee is actively working with the Risk Management Committee in addressing material risks which may have operational and financial impact.

Last year, the committee held three (3) meetings with the following agenda.

1. Drafting of Board Risk Oversight Charter
2. Review of organization risk exposure
3. Presentation of Risk Assessment and Management Plan for 2022

Committee Member	Designation	Meetings Attended	% to total meetings
Atty. Maria Cleofe Gettie C. Sandoval	Chairperson	3	100
Philip Arnold P. Tuaño	Member	3	100

Related Party Transaction Committee

The Related Party Transaction Committee is established to enhance corporate transparency and promote fair transactions. The Committee is responsible for reviewing related party transactions. Together with the Audit Committee, this Committee is in charge with ensuring that all transactions with its partner organization, bank dealings and other stakeholders are imbued with the highest standard of integrity.

Last year, the committee held two (2) meetings with the following agenda.

1. Drafting of Related Party Transaction Charter
2. Review of all Material Related Party Transactions

Committee Member	Designation	Meetings Attended	% to total meetings
Philip Arnold P. Tuaño	Chairperson	3	100
Atty. Maria Cleofe Gettie C. Sandoval	Member	3	100
Isabel D. Iliw-iliw	Member	3	100

BOARD OF ADVISERS

The Association puts a premium on the experience and knowledge of its former Board Presidents and heads of its sister organizations. Thus, they were formally organized into the KMBA Board of Advisers, providing timely and relevant advice on financial and programmatic matters up for deliberation by the Board.

Members of the advisory group were always invited to sit and take part in discussions in every regular and special meeting of the Board.

Remuneration Policy for the Board and the General Manager

The Trustees, Board Committee members, Coordinators, and Advisers do not receive any compensation for their services, save for actual reimbursements of the monitoring and transportation expenses incurred in the performance of their duties and responsibilities.

As the quarantine restrictions on movement and travel continued in 2021, lesser expenses in terms of monitoring and transportation of KMBA officers and coordinators were recorded last year. Reimbursements took the form of assistance to ensure sufficient cellular data for the duration of virtual meetings and webinars.

A total of Php 253,200.00 was released for transportation and communication expenses for attending their regular meetings and webinars.

Trustee	No. of Meetings Attended	Amount Reimbursed
Enriqueta V. Navarro	8	Php 23,100.00
Alma D. Gilbaliga	8	23,100.00
Jonalyn T. Andres	8	1,500.00
Ma. Lilibeth C. Molina	5	9,000.00
Jenifer L. Abao	4	8,700.00
Rita T. Dela Cruz	4	8,700.00
Teresita D. Padel	8	23,100.00
Philip Arnold P. Tuaño	8	23,100.00
Ma. Cleofe Gettie C. Sandoval	7	23,100.00
Jeronima C. Teodoro	4	8,700.00
Marlin C. Perez	4	8,700.00
Wenifreda F. Rodriguez	8	23,100.00
Leticia T. Rodriguez	8	23,100.00
Chona B. Capayas	8	23,100.00
Isabel M. Iliw-iliw	8	23,100.00
TOTAL		**Php 253,200.00**

The KASAGANA-KA Synergizing Organizations (KSO)-wide Human Resource (HR) Committee oversees the compensation and benefits policy across all KSOs, including the KMBA employees and General Manager. One Trustee from KMBA sits as member in said HR Committee.

The HR Committee submits its recommendations to the KMBA Board of Trustees for consideration and appropriate action. Should the HR Committee recommendations include the compensation of the General Manager, the Trustees convenes in an executive session, without the General Manager, to deliberate and decide on the matter.

The General Manager receives a monthly compensation equivalent to One Hundred Twelve Thousand Four Hundred Forty Pesos *(Php 112,440.00)* based on the recommendations made by the HR Committee and duly approved by the Board of Trustees of KMBA.

Performance Appraisals of the Board, Committee Members, and the General Manager

As part of good governance, KMBA Board and Committee members conducted regular semi-annual and Annual Board and Committee performance evaluation to assess the effectiveness of board and committee member's performance. Based on the 2021 assessment, the performance evaluation of the Board and Committee have performed its duties and responsibilities effectively.

Performance self-assessment is held twice a year. Trustees and Committees rate themselves and the Board or Committee as a body, based on a set of parameters that evaluates their level of participation, as well as the ability of the body to deliver on its mandate.

Results of the assessment informs the concerned body and management on areas that require more attention in order to maintain sound corporate governance, both at the Board and Committee levels.

In assessing the General Manager's performance, on the other hand, the Board meets in an executive session at the end of each semester. The GM's performance is rated against a set of quantitative and qualitative criteria. The results of the evaluation become the basis for the grant of performance bonus of the General Manager. The same process of performance evaluation and grant of performance bonus apply for all KMBA employees.

OTHER CORPORATE GOVERNANCE UPDATES

Independent Trustees

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

Two independent members have joined the nine-person Board of Trustees - Mr. Philip Arnold P. Tuaño and Atty. Maria Cleofe Gettie C. Sandoval. This translates to 20% of the Board of Trustees taking into consideration the size of the Association. Their professional background in the fields of economics and law, respectively, have proven invaluable in the decision-making process of the Board. Moreover, as independent Trustees, they play key roles in the Audit and Risk Management Committees.

Internal and Independent Audits

The KSO has an Internal Audit Service led by Randy Laresma, the Internal Audit Manager, which caters to the internal audit requirements of the different organizations, including KMBA. The Service works in coordination with the KMBA Audit Committee for the review of internal audit processes as part of an internal audit plan. The internal auditor reports directly to the Board of Trustees, regarding her/his independent and objective evaluation of the Association's financial and operational business activities, including its corporate governance and/or operational efficiency.

As approved by the Audit Committee on April 2021, the scope of internal audit activities encompasses, but is not limited to, objective examinations and evaluation of the adequacy and effectiveness of governance, risk management, and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the organization’s goals and objectives. Internal audit assessments include evaluating whether:

- Risks relating to the achievement of KMBA’s strategic objectives are appropriately identified and managed.
- The actions of KMBA’s officers, directors, employees, and contractors are in compliance with its policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the organization.
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

For the year 2021, the Internal Audit Services accomplished the following:

- Presented and requested for the approval of the 2021 Internal Audit Plan (approved on April 7, 2021)
- Presented and requested for the approval of the Internal Audit Charter (approved on April 23, 2021)
- Reports on quarterly audits done in relation to funds, review of existing processes including internal controls
- Oversee of the election process

All of this was reported and discussed by the Audit Committee and the Board of Trustees. Among the recommendations of the IAS unit are as follows:

- Ensure prompt replenishments of expenses/reimbursements
- Segregation of funds based on purpose

To ensure an unbiased and objective review of these processes, the Audit Committee is composed of independent Trustees. Nonetheless, the review of an independent external auditor is still necessary, pursuant to government regulations and KMBA’s own governance rules, unbiased, professional opinion on the truthfulness of KMBA's financial statements and assesses the systems in place to protect the Association from various financial risks.

The external auditor selection process begins with vetting by the Audit Committee, which then submits its recommendations to the Board. The Board-approved selection is submitted to the KMBA members during the annual general meeting for the membership's ultimate determination.

For the independent audit of the 2021 Financial Statements, the general membership approved the engagement of the audit firm of Roxas Cruz Tagle and Co. Total fees incurred for the firm's auditing services amounted to Php 303,022.00, exclusive of Value Added Taxes (VAT) and other out-of-pocket expenses.

The terms of reference for the procurement of the services of an external auditor is clear as to its requirement to audit the financial statements of the Association as of December 31, 2021. As such, the external auditor was not asked to perform any non-audit service. Nevertheless, in order to prevent any conflict of interest from arising, KMBA upholds a policy of full disclosure should the external auditor be, in the future, engaged in providing non-audit services, whether for a fee or not. For the year 2021, disclosure is not required since there are no non-audit services rendered.

MANAGEMENT OF KEY RISKS

There is a constant effort to uphold, if not strengthen, KMBA's risk management policy and undertake periodic assessment of the various risks that the Association faces in all areas of operations and administration, approximate their probability, and determine ways to minimize, if not completely avoid their negative effects. Last year, the Risk Management Committee came up with a risk management plan, which was approved by the Board. Work on the risk management manual adoption is underway.

Liquidity Risk	This refers to the risk that the Association will not be able to meet its financial obligations as they fall due, basically from lack of funding to finance its growth and capital expenditures. The Board and management work closely to manage the Association's liquidity profile by ensuring that adequate funding is available at all times to meet commitments as these arise, without incurring unnecessary costs, and to be able to access funding when needed.
Credit Risk	Member credit risk is managed by analyzing the credit risk for each new member before standard payment and appropriate delivery terms and conditions are offered. Outstanding receivables are regularly monitored. The credit quality of the Association's financial assets that are neither past due not impaired is considered to be good quality and expected to be collectible without any credit losses. Credit risk from balances with banks is managed by ensuring that deposit arrangements are with reputable and financially sound counter-parties. The credit quality of the Association's financial assets is evaluated using internal credit rating. Financial assets are considered as high grade if the counter-parties

	are not expected to default in settling their obligations, thus credit risk exposure is minimal. These counter-parties include banks, related parties and members who pay on or before the due date. KMBA's bases in grading its financial assets are as follows: ▪ *High grade*. These are receivables which have a high probability of collection (the counterparty has the apparent ability to satisfy the obligation and the security on the receivables are readily enforceable). ▪ *Standard.* These are receivables where collection is probable due to the reputation and the financial ability of the counterparty to pay, but which have been outstanding for a certain period of time. ▪ *Substandard.* Receivables that can be collected provided KMBA makes persistent effort to collect them.
Compliance Risk	This arises from violations or non-conformity with laws, rules and regulations, circulars, and prescribed practices of the Insurance Commission, and other regulatory bodies, that may expose KMBA to fines and penalties. In managing these risks, no less than the General Manager performs the vital role of the Compliance Officer. KMBA prepares an annual compliance calendar that guides it on reportorial requirements and the deadlines set for each. Regular communications with the network also help in keeping the Association abreast with developments in the industry regulatory landscape.

Financial Performance Indicators

KMBA has been consistently compliant with financial policies and administrative regulations implemented by the Insurance Commission. Specifically, it strictly adheres to the following policies:

- Administrative costs shall not exceed 20% of the Association's total gross revenue; and
- High ratio in the Risk-Based Capital (RBC) framework

Non-financial Performance Indicators

KMBA was successful in transitioning to an online claims processing, with claims paid out within eight hours from notification. This is a very significant reduction in processing time, and it could not have happened at a more opportune time. The shift to online claims processing speaks of management's dedication to timely deliver services to its members, without compromising anyone's health.

By now, the annual recognition KMBA receives for its outstanding performance in the ASEAN Corporate Governance Scorecard has become a concrete evidence of its efforts to abide by good governance principles in all areas of its operations. Second year into the pandemic, the Association was able to maintain its spot in the overall ranking. Consistency and teamwork has been the key. Yet, KMBA understands that there is plenty of room for improvement. ACGS recommendations are taken seriously into consideration in reviewing the Manual and enforcing compliance thereto.

Policy on Dividends

KMBA does not declare dividends for distribution to its members.

Nevertheless, the amended Insurance Code of the Philippines, implemented by Circular Letter No. 2015-46 dated 8 September 2015, allows mutual benefit associations like KMBA to transfer the excess of its free and unassigned surplus to the members' benefits fund for distribution to members, whether in cash or in kind, and after having been duly verified by the Insurance Commission.

As one form of member's benefit, KMBA provides one-year life insurance coverage to all members, free of charge under its K-Bente initiative.

Related-Party Transactions

Related party may be individual or corporate entities. It includes: (a) Members of KMBA's Board of Trustees, sister organizations KDCI and K-Coop, as well as partner organizations; (b) KMBA's General Manager and key officers, including anyone who directly reports to the Board of Trustees; and (c) any person whose judgment or decisions could be influenced in making financial or operating decisions, as a consequence of an arrangement or relationship between or involving themselves and any person mentioned above.

The Audit Committee, which is comprised entirely of independent trustees, shall be responsible for the review and approval of any material related-party transactions of conflict of interest issues involving members of the Board and the Management Team to ensure that these are conducted or resolved in the best interest of KMBA and its members. As directed by the Board, the Committee may also be required to review pending transactions between KMBA and its partner organizations. The overall responsibility regarding Related-Party Transactions rests with the Board of Trustees.

In 2021, the Audit Committee found no material interests or dealings with any Trustee or key officers of the KMBA management. Nonetheless, the Association continues to engage in the ordinary course of business and at arm's length with sister organization Kabuhayan sa Ganap na Kasarinlan Credit and Savings Cooperative (K-Coop), a cooperative duly organized and registered with the Cooperative Development Authority.

Related Party Transactions between KMBA and its related party/ies were conducted in the normal course of its business and within the association's arm's length. Below is the summary of the business transaction with related party in 2021.

Name of Related Party	Relationship	Nature of Related Party Transaction	Amount of Related Party Transaction
Kabuhayan sa Ganap na Kasarinlan Credit & Savings Cooperative (KCOOP)	K-COOP Partner	Funds assigned for Members Benefits (Fund Balance Account)	Unremitted Contribution, Dues and Fees (Php 6,009,433.52) Unremitted Premiums (Php 1,958,946.39)

Members of the K-Coop, who are primarily urban poor women, are the main target market of the microinsurance program of KMBA. The Association effectively taps the infrastructure of the K-Coop to reach approximately three quarters of all KMBA members, help promote its insurance products, and collect premium payments and other membership fees.

By yearend, KMBA reports P6,009,433.52 in unremitted contribution dues and fees, as well as P1,958,946.39 in unremitted premiums, from K-Coop.

Trustees and committee members shall, upon election, accomplish a Declaration of Material Interests, so that any related-party transactions will be conducted in an arm's length basis. To further strengthen transparency and protect the interest of KMBA in all cases of related-party transactions, the Association is set to adopt a policy requiring incumbent Trustees to submit a written notification to the Board before they accept a directorship position in any other company.

SUSTAINABILITY REPORTING

Beyond the bottom line or mere adherence to good governance practices, it is staying true to its mission that inspires KMBA to look past financial matters and try to help Filipino families improve their lives through its products and services.

As a mutual benefit association committed to giving assistance to the poorest Filipino families in times of social security needs, KMBA has always been conscious of its contributions to society. It has always been careful in adopting programs and policies, studying how these affect its stakeholders, the environment, and general public.

In years past, the Association has made public, through its website, Annual Reports, and statutory submissions, its various policies, such as on procurement, anti-corruption, employee management, and environment-friendly practices.
In 2019, the Securities and Exchange Commission (SEC) issued sustainability reporting guidelines for publicly-listed companies, to enable the latter to "measure and monitor their contributions towards achieving universal target of sustainability," as well as in supporting national policies and programs.

According to the SEC, sustainability reporting (also known as EESG or economic, environmental, social and governance reporting) "is an organization's practice of reporting publicly on its significant economic, environment and/or social impacts, in accordance with globally accepted standards. Such disclosures enable organizations to measure, understand, and communicate their EESG performance and then set goals and manage change more effectively."

Although the set of SEC guidelines is intended for publicly-listed companies, KMBA will endeavor to follow it as a guide, especially since it builds on four of the globally accepted frameworks on sustainability reporting. These are the (i) Global Reporting Initiative's (GRI) Sustainability Reporting Standards, (ii) the

International Integrated Reporting Council's Integrated Reporting Framework, (iii) the Sustainability Accounting Standards Board's Sustainability Accounting Standards, and (iv) the recommendations of the Task Force on Climate-related Financial Disclosure.

KMBA understands that these reporting standards cover a lot of areas. While much work is yet to be done, the Association will work little by little towards full compliance with these frameworks. It is hoped that its sustainability report will aid the Association in assessing how its overarching mission impacts national and universal sustainability objectives.

For 2021, this portion on the EESG report will discuss KMBA policies as to Economic Impact, in terms of direct economic value generated and distributed as well as procurement practices; Environmental Impact, in terms of use of resource management and adoption of an environment-friendly value chain; Social Impact, in terms of employee management, respect of creditor's rights, and members' welfare.

A. ECONOMIC

Direct Economic Value generated and Distributed

The Association generated P42,721,359.00 in revenue for the entire year.

On the other hand, operating expenses, which includes administrative expenses, reached P12,022,118.00. The total amount of P5,770,704.00 was spent for employee wages and benefits. Taxes remitted to the government amounted to P724,691.00. This includes tax on rent income, real property tax and tax withheld on employees' compensation.

As discussed above, the Association continues to invest in the youth through the Kuya Jun Scholarship Program, for which P527,000 in stipend was disbursed for the year. Calamity assistance for victims of pandemic, typhoon, and fire, received P494K in financial aid. Moreover, members enjoyed another year of life insurance coverage for free under the K-Bente initiative.

Procurement Policy

The Association adopts a bidding process to ensure that engagements with suppliers and contractors are impartial, transparent, and to the best interest of KMBA. The Board sets a minimum for contract amounts to be covered by the Association's bidding processes. A minimum of three (3) suppliers shall submit their respective proposals and profiles for each bidding process. An ad hoc bids and awards committee may be formed to lead the bidding and selection process. All decisions and selections shall be approved by the Board.

In purchasing office supplies and equipment and in contracting for services, at least three price quotations are secured from different suppliers and service providers. In making a choice, consideration is given not only to the cost, but also to quality and value for money.

The Policy also prohibits transactions involving solicitation, and directly or indirectly accepting gifts, commission and other forms of payment from members, suppliers and other parties in exchange for favorable treatment.

Anti-corruption Policy
KMBA strictly enforces a no-gift policy so as not compromise the integrity of its operations, improperly influence decision-making, avoid conflicts of interest, or any perception thereof as a result of giving and receiving gifts. This policy is upheld in all dealings with any member of the private or public sector. The Association understands that good governance is founded on full respect for the law as well as its own internal rules and regulations.

As such, KMBA deals with its trustees, employees, suppliers, partners, government agencies and other parties at arm's length and with full transparency, in observance of established policies and in recognition of either party's integrity.

Violators will be dealt with severely, after an investigation, and always in accordance with established mechanisms on due process.

Protecting the Whistle-blower
All stakeholders are encouraged to voice their concerns or complaints about illegal and/or unethical practices involving any KMBA member, employee, or officer. KMBA maintains a policy to protect the identity of the whistle-blower, maintain confidentiality of the disclosure, validate the claims and reports, and prevent any form of retaliation by the complained parties.

Reports of violations and complaints shall be validated in order to avoid malicious, unfounded reports, designed to vex or harass a person, mislead, disrupt KMBA operations, or for personal gain. Such malicious reports shall not be allowed to harm KMBA or any of its members, officers, or employees, and shall be dealt with appropriately.

Handling of complaints
Complaints are received by the Ethics Committee, which then conducts initial investigation and/or inquiry for non-compliance with or violation of the Code of Ethics and Conduct, and other illegal or corrupt practices. The Committee then submits its investigation report and recommendations to the Board, for appropriate action.

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

President: Enriqueta V. Navarro
Landline: 8990-7915
Mobile No.: 09192983870
Email Address: valdez06beth@gmail.com

B. ENVIRONMENT

Environment-friendly Value Chain

The Association strives to perform regular assessments of its policies, procedures, processes and systems involving not only its officers, members, and employees, but also its suppliers, partners, and contractors, to ensure that these are environment-friendly and promote environmental sustainability.

KMBA declares that is business operations do not negatively affect the environment, and that it commits to do its part in promoting environmentally-sound business practices.

Simple, but impactful sustainable practices have been adopted by KMBA for years. This include judicious energy consumption, car-pooling, and recycling of office supplies and materials. The use of electronic means of reporting to the Board, the membership, and all stakeholders have been tapped by KMBA for years to reduce paper consumption. In 2021, meetings and training through videoconferencing were the norm. Where appropriate, a policy on virtual meetings may be adopted to further reduce carbon footprints.

C. SOCIAL

Programs for Members' Welfare

Aside from looking after members’ health, programs for members' welfare have been discussed in the previous sections of this Annual Report. These include educational assistance under the Kuya Jun Scholarship Program; aid for members affected by calamities; K-Bente insurance coverage for members and dependents fully paid by the KMBA; and capacity-building and leadership programs for officers and coordinators.

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

Since policies, manuals, minutes of meetings, and other pertinent reports are available online, members and any concerned party may contact the Board or the management for any and all concerns affecting not only them personally, but the Association in general.

Members' and Employees' Health and Safety

The health and safety of members and employees alike were the primary considerations that led to KMBA’s shift to online claims processing.

The Board also allotted P150,000.00 to finance swab tests for employees, should these be necessary to protect the health of employees who had to physically go to work.

Throughout the pandemic, KMBA, together with the KSO, were in constant communication with employees and members, as a form of support group, information dissemination mechanism, and service delivery approach.

Part of KMBA’s health benefits for employees is the annual physical examination (APE) and affordable flu vaccines. Last year, eight (8) employees took the APE, and availed of the flu vaccine. In addition, all ten (10) employees are covered by company-initiated health insurance through Philcare. In partnership with KDCI, laboratory and eye care services are available to all members and employees.

Employee Management

The very able management team of KMBA is led by its General Manager, who provides general directions, supervision, management and administrative control on all the operating units, subject to such limitations as may be set forth by the Board of Trustees or the General Assembly. The General Manager handles the day-to-day operations of KMBA, together with the Operations Manager, Finance Manager, Executive Assistant, and Account Managers.

By end of 2021, KMBA has 1 manager and 9 employees. Of them, 3 are female while 7 are male.

Name of Employee	Position	Rank	Gender
Silvida R. Antiquera	General Manager	34	Female
Evelyn A. Lagmay	Finance Manager	18	Female
Analyn A. Shih	Executive Assistant	15	Female
Diobert F. Calanza	Account Officer	15	Male
Adrian P. San Andres	Account Officer	15	Male
Mcquen R. Abellano	Account Officer	14	Male
Richard L. Monteron	Account Officer	14	Male
Aljon L. Laureano	MIS Officer	14	Male
Jake C. Villanueva	Account Officer	13	Male
Gilbert T. Razonable	Finance Officer	8	Male

The basic salary is reviewed periodically by the Human Resources Committee to ensure that it is at par with market rates. Aside from the statutory benefits, employees are entitled to the following benefits: Communication and Rice Allowance.

Training and Development for Employees

The Board, with the assistance of the Management Team, adopts an annual training and development plan for its employees. Apart from the Plan, the employees may submit a written request to undertake specific courses or training sessions, which are aligned with the KMBA's capacity development requirements.

Last year, employees gained new and additional insights from the following training activities:

Date	Training Course/Seminar	Duration
February 22	Ensuring Continued Member Protection: The Mi-MBA Way	Half day
May 6-7	ACGR Writeshop for Mi-MBA	2days

May 20	Learning Series with Sparkassentiftung fur Internationale Kooperation: Introduction to Risk Management	Half day
July 16	Webinar: Data Privacy and Security for Financial Institutions	Half day
July 26	Webinar: Digitizing payments and Customer Communications	Half day
August 11-13	Leadership Training Workshop for Mi-MBAs	3 Days
August 26	Succession Planning: Policy Development	Half day
September 9	Succession Planning: Assessing Key Position	Half day
September 17	Webinar: Digital Marketing for Financial Institution	Half day
September 23	Succession Planning: Identifying key Talents	Half day
October 28	Succession Planning: Developing a Successor	Half day
November 16	Succession Planning: Program Development, Monitoring, Evaluation and Review	Half day
November 23-26	Management Forum	3 Days
December 13	Learning Series: Communicating in the Next Normal	Half day

KMBA will take advantage of a number of courses online, some of them for free, that are suitable to the training and development plan of the employees.

Rewards Policy

Employees' performance is assessed twice a year. Ten (10%) of the income for the whole year is allotted for Performance-based incentives based on the results of the evaluation and upon approval by the Board. Members are also given such as but not limited to one (1) K-Bente policy as an added benefit for each active and loyal member.

Creditors' Rights

Members, who are among the Association's creditors, have the right to inspect association books and records, including minutes of Board meetings and performance reports, and shall be furnished with annual reports and financial statements, without costs or restrictions. KMBA believes that creditors' interests are well-served if they are constantly in-the-know of the financial condition of the Association and the policies that may impact on its performance and operations.

Also, KMBA works with the Risk Management Committee to identify credit risk, both probable and existing, so that proper measures may be undertaken to reduce, if not eliminate, such risks. Reports by the Audit Committee and the independent external audit are also reviewed with the view to protecting the assets of the Association, and therefore its ability to honor its obligations with its creditors.

GOVERNANCE MANUAL AND CODE OF ETHICS

Periodic review of the relevance of the Governance Manual and compliance thereto is being undertaken to ensure faithfulness to industry-standard corporate governance principles. The General Manager, as the Board-designated Compliance Officer, leads the monitoring and evaluation process to track compliance of Trustees, management team, and employees with the KMBA Corporate Governance Manual. For this purpose, the General Manager taps other members of the management team to facilitate the effective and efficient performance of said tasks.

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

Copies of both the Governance Manual and the Code of Conduct and Ethics are readily available at the KMBA website. This is in keeping with the principle of transparency. It likewise allows any interested or aggrieved party to determine any violation thereof by KMBA officers and employees. KMBA encourages any party who may have knowledge of such violations to report them in good faith to management or to the Board. The Association treats with importance such reports, with the goal of properly addressing them, imposing sanctions where necessary, and avoid their ill effects on corporate affairs and business operations.

Quarterly Evaluation and Planning

It has been the policy of the KMBA to meet a month after each quarter to consider its accomplishments vis-a-vis its targets. Adjustments in plans and implementation strategies are discussed, all with the objective of serving as many members as possible, while maintaining the financial strength of the Association.

Board Policy Review

The annual review of the Association's vision and mission statements, and its corporate goals (VMGs) is done at the start of the year to check whether these statements are reflective of the objectives and current needs of the membership. In 2021, the Board agreed that the VMGs still hold true. Likewise, KMBA's products, programs, and services are in alignment with these VMGs.

Commitment to Good Governance

KMBA is pleased to report its faithful adherence to the Code of Corporate Governance and its very own Governance Manual, as closely monitored by the General Manager as Compliance Officer.

Throughout this annual report, KMBA has underscored its efforts to respect the rule of law, observe transparency, exact accountability where needed, put in place control mechanisms, encourage stakeholder's participation, uphold integrity in all its operations for the members' wellness in the midst of the pandemic. These efforts are present not only at the highest policy-making body, but in all levels and in every transaction with any stakeholder.

The conscious adherence to good governance is made with deep appreciation of its central role in keeping the Association strong and viable all these years and for many more years to come.

2021 Audited Financial Statements

ROXAS CRUZ TAGLE AND CO.

BOA/PRC Reg. No. 0005,
August 1, 2021, valid until March 17, 2024
SEC Accreditation No. 0005-SEC,
April 13, 2021, valid until April 12, 2024

2nd Floor Multinational Bancorporation Centre
6805 Ayala Avenue, Makati City 1226 Philippines
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Tel: + (632) 8844 2016
Fax: + (632) 8844 2045

INDEPENDENT AUDITOR'S REPORT TO ACCOMPANY INCOME TAX RETURN

The Members and the Board of Trustees
Kasagana-Ka Mutual Benefit Association, Inc.
(A Non-stock, Not-for-profit Corporation)
#5 Matimpiin Street, Brgy. Pinyahan
Quezon City

We have audited the financial statements of Kasagana-Ka Mutual Benefit Association, Inc. *(A Non-stock, Not-for-profit Corporation)* ("the Association"), for the year ended December 31, 2021, on which we have rendered the attached report dated April 1, 2022.

In compliance with Revenue Regulations No. V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the president, manager or Board of Trustees of the Association.

ROXAS CRUZ TAGLE AND CO.

Clark Joseph Babor
Clark Joseph C. Babor
Partner
CPA Certificate No. 0119212
Tax Identification No. 248-709-974-000
SEC Accreditation No. 1809-A, Group B, issued on March 31, 2020,
effective until March 31, 2023
BIR Accreditation No. 08-001682-014-2019, issued on September 27, 2019,
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effective until December 16, 2025
PTR No. 8876903, issued on January 24, 2022, Makati City

April 1, 2022
Makati City

KASAGANA-KA
Mutual Benefit Association, Inc.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The management of **Kasagana Ka Mutual Benefit Association, Inc.** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2021. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the Value-Added Tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the management affirms that the attached audited financial statements for the year ended December 31, 2021 and the accompanying Annual Income Tax Return are in accordance with the books and records of the Association, complete and correct in all material respects. Management likewise affirms that:

(a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;

(b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the Association's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances; and

(c) the Association has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

ENRIQUETA V. NAVARRO
Chairman of the Board

ENRIQUETA V. NAVARRO
President

TERESITA D. PADEL
Treasurer

Signed this 1st day of April 2022

Rm 504 F&L Building Commonwealth Avenue Holy Spirit Quezon City
Telefax: (63) 990-7915
Email: kasaganaka.mba@gmail.com

ROXAS CRUZ TAGLE AND CO.

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INDEPENDENT AUDITOR'S REPORT

The Members and the Board of Trustees
Kasagana-Ka Mutual Benefit Association, Inc.
(A Non-stock, Not-for-profit Corporation)
#5 Matimpiin Street, Brgy. Pinyahan
Quezon City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Kasagana-Ka Mutual Benefit Association, Inc. *(A Non-stock, Not-for-profit Corporation)* (the "Association"), which comprise the statements of financial position as at December 31, 2021 and 2020, and the statements of comprehensive income, statements of changes in fund balance and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

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

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

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

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

ROXAS CRUZ TAGLE AND CO.

- 2 -

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

ROXAS CRUZ TAGLE AND CO.

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

Report on the Supplementary Information Required by the Bureau of Internal Revenue (BIR)

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information as disclosed in Note 26 to the financial statements is presented for purposes of filing with the BIR and is not a required part of the basic financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ROXAS CRUZ TAGLE AND CO.

Clark Joseph Babor
Clark Joseph C. Babor
Partner
CPA Certificate No. 0119212
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April 1, 2022
Makati City

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

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

	Notes	2021	2020
ASSETS			
Current Assets			
Cash and cash equivalents	5	₱16,877,122	₱29,659,995
Receivables	6	17,763,631	10,356,768
Other current assets		685,406	835,102
Total Current Assets		35,326,159	40,851,865
Noncurrent Assets			
Financial assets at FVOCI	7	42,424,834	41,788,619
Investments in debt securities	8	84,178,366	84,178,366
Investment properties, net	9	63,847,416	64,829,954
Property and equipment, net	10	4,026,007	4,919,027
Intangible assets, net	11	833,084	995,381
Other noncurrent assets		–	408,497
Total Noncurrent Assets		195,309,707	197,119,844
Total Assets		₱230,635,866	₱237,971,709
LIABILITIES AND FUND BALANCE			
Liabilities			
Current Liabilities			
Trade and other payables	12	₱6,123,286	₱3,973,345
Income tax payable	22	871	3,481
Liability on individual equity value	13	10,352,705	9,821,379
Aggregate reserve for trust liability	13	9,440,668	10,376,690
Basic contingent benefit reserve	13	339,378	482,661
Optional benefit reserve	13	2,163,949	1,616,205
Claims payable on basic benefit-IBNR	14	613,670	821,584
Claims payable on Opt. benefit- IBNR	14	226,046	324,925
Total Current Liabilities		29,260,573	27,420,270
Noncurrent Liabilities			
Liability on individual equity value	13	57,967,966	75,684,912
Aggregate reserve for trust liability	13	38,060,319	49,592,247
Retirement benefit obligation, net	17	(290,689)	1,608,071
Total Noncurrent Liabilities		95,737,596	126,885,230
Total Liabilities		124,998,169	154,305,500
Fund balance			
Restricted balance	15	79,173,759	53,486,054
Unrestricted balance	15	22,842,173	26,989,093
Accumulated remeasurement loss on retirement benefit obligation	17	(394,574)	(597,557)
Unrealized gain on financial assets at FVOCI		4,016,339	3,788,619
Total fund balance		105,637,697	83,666,209
Total Liabilities and Fund Balance		₱230,635,866	₱237,971,709

See Notes to the Financial Statements.

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

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Notes	2021	2020
Revenue	18	₱42,721,359	₱41,328,110
Benefit expenses	19	(10,803,611)	(27,406,669)
Revenue before operating expense		31,917,748	13,921,441
Operating expenses	20	(12,022,118)	(11,011,863)
Income from operations		19,895,630	2,909,578
Interest income	5,8	3,737,249	3,972,237
Dividend income	7	812,134	812,134
Income before tax		24,445,013	7,693,949
Income tax expense		(17,882)	(3,481)
Net income		24,427,131	7,690,468
Other comprehensive income			
Item that will be reclassified to profit or loss:			
Unrealized gain on financial assets at FVOCI	7	227,720	1,770,256
Item that will not be reclassified to profit or loss:			
Remeasurement gain (loss) on retirement benefit obligation	17	202,983	978,859
		430,703	2,749,115
Total comprehensive income		₱24,857,834	₱10,439,583

See Notes to the Financial Statements.

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

STATEMENTS OF CHANGES IN FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Fund balance (Note 15)		Accumulated remeasurement gain (loss) on retirement benefit obligation (Note 17)	Unrealized gain on financial assets at FVOCI (Note 7)	Total
	Restricted	Unrestricted			
As at December 31, 2020	₱53,486,054	₱26,989,093	(₱597,557)	₱3,788,619	₱83,666,209
Decrease in fund balance	(2,890,993)	–	–	–	(2,890,993)
Prior year adjustment	–	4,648	–	–	4,648
Reclassification	28,578,698	(28,578,698)	–	–	–
Net income	–	24,427,131	–	–	24,427,131
Other comprehensive income	–	–	202,983	227,720	430,703
As at December 31, 2021	**₱79,173,759**	**₱22,842,174**	**(₱394,574)**	**₱4,016,339**	**₱105,637,697**
As at December 31, 2019	₱42,232,120	₱32,288,557	(₱1,576,416)	₱2,018,363	₱74,962,624
Decrease in fund balance	(1,735,998)	–	–	–	(1,735,998)
Reclassification	12,989,932	(12,989,932)	–	–	–
Net income	–	7,690,468	–	–	7,690,468
Other comprehensive income	–	–	978,859	1,770,256	2,749,115
As at December 31, 2020	₱53,486,054	₱26,989,093	(₱597,557)	₱3,788,619	₱83,666,209

See Notes to the Financial Statements.

KASAGANA-KA MUTUAL BENEFIT ASSOCIATION, INC.

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

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2021AND 2020

	Notes	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income		₱24,427,131	₱7,693,949
Adjustments for:			
Increase in liability on individual equity value		–	(10,061,915)
Interest income	5,8	(3,737,249)	(3,972,237)
Increase in aggregate reserve for trust liability		–	2,944,797
Depreciation of property and equipment	11,20	981,301	1,056,184
Dividend income	7	(812,134)	(812,134)
Retirement benefit cost	17,20	353,149	538,007
Depreciation of investment property	9	982,539	491,270
Increase in reserve for basic contingent fund		–	322,821
Increase (decrease) in reserve for optional benefit		–	(273,931)
Amortization	11,20	162,297	159,092
Prior year error		4,648	–
Operating (loss) before working capital changes		22,361,682	(1,914,097)
Decrease (increase) in:			
Receivables		(7,406,864)	(6,053,926)
Other current assets		149,696	(217,664)
Increase (decrease) in:			
Trade and other payables		2,147,330	2,658,507
Liability on individual equity value		(17,185,621)	6,355,279
Aggregate reserve for trust liability		(12,467,950)	4,201,207
Basic contingent benefit reserve		(143,283)	(264,700)
Optional benefit reserve		547,745	(324,925)
Claims payable on basic contingent benefit-IBNR		(207,914)	566,127
Claims payable on Opt Benefit - IBNR		(98,879)	–
Net cash flows (used in) provided by operating activities		(12,304,058)	5,005,808
Interest income received		3,737,249	3,977,056
Dividend income received	7	812,134	812,134
Net cash provided by operating activities		(7,754,675)	9,794,998
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of investment properties	9	–	(6,369,350)
Maturity of short-term investment		–	5,000,000
Acquisition of property and equipment	10	(104,160)	(505,428)
Acquisition of intangible asset	11	–	(200,000)
Increase in other noncurrent assets		–	(79,739)
Proceeds from sale of Property & Equipment		15,881	–
Net cash used in investing activities		(88,279)	(2,154,517)

forward

	Notes	2021	2020
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in fund balance		(₱2,890,993)	(₱1,735,998)
Contribution to retirement obligation		(2,048,926)	–
Net cash used in financing activities		(4,939,919)	(1,735,998)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(12,782,873)	5,904,483
CASH AND CASH EQUIVALENTS AS AT JANUARY 1		29,659,995	23,755,512
CASH AND CASH EQUIVALENTS AS AT DECEMBER 31	5	₱16,877,122	₱29,659,995

See Notes to the Financial Statements.

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

NOTES TO THE FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

1. Reporting Entity

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

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

The registered office address of the Association is at Rm. 504 F&L Building, Brgy. Holy Spirit, Commonwealth Avenue, Quezon City. The primary place of business of the Association is at #5 Matimpiin St., Brgy. Pinyahan, Quezon City.

2. Basis of Preparation

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

The financial statements were approved and authorized for issuance by the Board of Trustees (BOT) on April 1, 2021.

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

Functional and presentation currency
The financial statements are presented in Philippine peso (₱), which is the functional currency of the Association. All values are rounded off to the nearest peso, except when otherwise indicated.

3. Significant Accounting Policies

Adoption of New and Amended PFRS
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Company adopted effective for annual periods beginning on or after January 1, 2021:

- Amendments to PFRS 16, *Leases - COVID-19-Related Concessions beyond June 30, 2021*. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under PFRS 16, if the change were not a lease modification.

  Following the amendment, the practical expedient now applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022, provided the other conditions for applying the practical expedient are met.

  This amendment is effective for annual periods beginning on or after April 1, 2021.

  These amendments had no impact on the financial statements of the Association.

New and Amended PFRS Issued but Not Yet Effective
Relevant new and amended PFRS which are not yet effective for the year ended December 31, 2021 and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2022:

- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds before Intended Use*. The amendments prohibit the entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by the Management. Instead, the entity recognizes such sales proceeds and any related costs in the profit or loss.

- Amendments to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Costs of Fulfilling a Contract*. The amendments specify the costs a Company includes when assessing whether a contract will be loss-making and is therefore recognized as an onerous contract. The amendments apply a "directly related approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities.

- Annual Improvements to PFRS Standards 2018 - 2020 Cycle

  - Amendments to PFRS 1, *First-time Adoption of PFRS - Subsidiary as a First-time Adopter*. The amendment permits a subsidiary that applies paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to PFRS.

  - Amendments to PFRS 9, *Financial Instruments - Fees in the '10 Per Cent' Test for Derecognition of Financial Liabilities*. The amendment clarifies which fees an entity includes when it applies the '10 percent' test in paragraph B3.3.6 of PFRS 9 in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

- Amendments to PFRS 16, *Leases - Lease Incentives*. The amendment to Illustrative Example 13 accompanying PFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

Effective for annual periods beginning on or after January 1, 2023:

- Amendments to PAS 12, *Income Taxes - Deferred Tax Related to Assets and Liabilities from a Single Transaction*. The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments will typically apply to transactions such as leases for the lessee and decommissioning obligations. According to the amended guidance, a temporary difference that arises on initial recognition of an asset or liability is not subject to the initial recognition exemption if that transaction gave rise to equal amounts of taxable and deductible temporary differences.

- PFRS 17, *Insurance Contracts*. This standard will replace PFRS 4, *Insurance Contracts*. It requires insurance liabilities to be measured at current fulfillment value and provides a more uniform measurement and presentation approach to achieve consistent, principle-based accounting for all insurance contracts. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. In June 2020, the IASB issued amendments to the standard, including a deferral of its effective date to 1 January 2023.

- Amendments to PAS 1, *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current*. The amendments to PAS 1 specify the requirements for classifying current and noncurrent liabilities. The amendments will clarify that a right to defer must exist at the end of reporting period and the classification is unaffected by the likelihood that an entity will exercise its deferral right. The issuance of amendments was deferred until January 1, 2023, as a result of COVID-19 pandemic.

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates*. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amended standard also clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors.

- Amendments to PAS 1, *Presentation of Financial Statements* and PFRS Practice Statement 2, *Making Materiality Judgements - Disclosure Initiative - Accounting Policies*. The amendments aim to help entities provide accounting policy disclosures that are more useful by (a) replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and (b) Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

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

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

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

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

Financial assets and financial liabilities

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

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

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

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

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

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

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

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

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

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

As at December 31, 2021 and 2020, the Association does not have financial assets and liabilities at FVPL.

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

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

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

As at December 31, 2021 and 2020, the Association's cash and cash equivalents, receivables, rental deposits, other funds and deposits and investments in debt securities are included under this category (Notes 5, 6 and 8).

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

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

As at December 31, 2021 and 2020, the Association's trade and other payables, excluding government dues, liability on individual equity value, aggregate reserve for trust liability, basic contingent benefit reserve, optional benefit reserve and claims payable on basic contingent benefit are included under this category (Notes 12, 13 and 14).

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

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

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

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

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

As at December 31, 2021 and 2020, the Associate's investments in shares of stock are classified under this category (Note 7).

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

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

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

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

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

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

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

For trade receivables, the Association has applied the simplified approach and has calculated ECLs based on the lifetime expected credit losses. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

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

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

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

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

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

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

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

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

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

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

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

<u>Insurance contracts</u>
Product classification

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

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

Benefits and claims

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

Liability adequacy tests

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

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

<u>Receivables</u>
Receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method (EIR), less expected credit loss.

Receivables consists of unremitted members' contributions, dues, fees and others.

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

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

Construction in progress pertains to capitalized construction work which is recognized initially at cost and subject for depreciation upon completion.

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

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

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

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

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

Property and equipment, net

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

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

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

	Number of Years
Office furniture and fixtures	5 years
Transportation equipment	5 years
Computer equipment	3 years
Building	60 years

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

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

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

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

Intangible assets, net

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

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

All other expenditure is expensed as incurred.

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

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

Impairment of non-financial assets

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

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

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

Fair value measurements

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

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

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

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

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

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

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

Trade and other payables

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

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

Government dues represent contributions of employees that is payable to various government agencies such as SSS, Philhealth and Pag-IBIG.

Liability for incurred policy benefit

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

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

Liability adequacy test

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

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

Basic contingent benefit reserves

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

Liability on individual equity value

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

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

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

Optional benefit reserve

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

Claims payable on basic contingent benefit

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

Retirement benefit obligation

The liability or asset recognized in the statements of financial position in respect of defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually using projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of all related pension obligations.

Retirement benefit costs comprise the following:

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

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

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

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

Provisions and contingencies

Provisions are recognized when: (a) the Association has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as finance cost. When the Association expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount is estimable. The expense relating to any provision is charged against profit or loss, net of any reimbursement.

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

Fund balance

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

Restricted fund balance

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

Unrestricted fund balance

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

Accumulated remeasurement gain

Accumulated remeasurement gain includes changes in remeasurement in retirement recognized in OCI.

Unrealized gain on financial assets at FVOCI

Unrealized gain of financial assets at FVOCI includes accumulated changes in financial assets recognized in OCI.

Revenue recognition

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

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

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

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

Contribution and fees

Members are charged a one-time fifty pesos (₱50) application fee for Kasagana-Ka Development Center, Inc. (KDCI) members and one hundred pesos (₱100) for associate members in order to cover the expenses incurred in processing their application. This fee is neither refundable nor included in determining the member's accumulated and refundable contributions. Membership fees are recognized upon the admission of a qualified member to the Association.

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

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

Gross premiums

Gross premiums pertain to direct premiums written and assumed which is recognized as revenue over the term of the contract.

Interest income

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

Dividend income

Income from equity investments is recognized when received.

Other income

Income from other sources is recognized when earned.

Other comprehensive income

Other comprehensive income comprises items of income and expense, including items previously presented under the statements of changes in equity, that are not recognized in profit or loss for the year. Other comprehensive income of the Association pertains to gain (loss) on AFS financial assets.

Expense recognition

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

Income taxes

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

Leases

At the inception of a contract, the Association assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Association assesses whether:

- the contract involves an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Association has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Association has the right to direct the use of the asset. The Association when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. The Association has the right to direct the use of the asset of either:
    - the Association has the right to operate the asset; or
    - the Association designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after January 1, 2019.

Short-term leases and leases of low-value assets. The Association applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

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

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

4. Use of Judgments, Estimates and Assumptions

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

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

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

Operating lease - Association as a lessee. The Association has entered into a contract of lease for its office space and warehouse it occupies. The Association has determined that all the significant risks and rewards of ownership on these properties are retained by the lessor (Note 21).

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

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

As at December 31, 2021 and 2020, management assessed that no provisions nor contingencies are necessary to be recognized or disclosed, respectively, in the financial statements.

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

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

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

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

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

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

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

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

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

The carrying values of property and equipment and computer software are disclosed in Notes 10 and 11.

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

Valuation of retirement benefits obligation. The cost of defined benefit pension plan as well as the present value of the pension obligation was determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Further details on the retirement liability are provided in Note 18 to the financial statements.

As at December 31, 2021 and 2020, the net retirement liability amounted to (₱290,689) and ₱1,608,071, respectively (Note 17).

Valuation of aggregate reserves. The cost of aggregate reserves was determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the unearned premium reserves, accumulated value of members equity value, accumulated value plus interest of reserve fund and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, aggregate reserves are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Further details on the aggregate reserves are provided in Note 14 to the financial statements.

As at December 31, 2021 and 2020, the aggregate reserves amounted to ₱118,324,984 and ₱144,675,461, respectively (Note 13).

5. Cash and Cash Equivalents

This account consists of:

	2021	2020
Cash on hand	**₱32,000**	₱32,000
Cash in banks	**11,095,674**	23,892,859
Cash equivalents	**5,749,448**	5,735,136
	₱16,877,122	₱29,659,995

Cash in banks and cash equivalents earn interest ranging from .20% to .25%. Interest earned in 2021 and 2020 amounted to ₱24,927 and ₱73,135, respectively.

6. Receivables

This account consists of:

	Note	2021	2020
Due from related parties:			
Unremitted members' contribution dues and fees	*17*	**₱7,427,487**	₱7,112,411
Unremitted premiums	*17*	**2,244,748**	2,319,090
Accrued interest income		**343,316**	343,691
Due from officers and employees		**60,255**	13,825
Advances to employees		**12,668**	10,796
Other receivables		**7,675,157**	556,956
		₱17,763,631	₱10,356,768

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

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

Other receivables represent claims from third party insurance for fire assistance and accidental death claims by the members.

Based on management's evaluation, the Association's receivables are fully collectible, thus, no allowance for impairment is necessary as at December 31, 2021 and 2020.

7. Financial Assets at FVOCI

This account consists of:

	2021		
	No. of Shares	Acquisition Cost	Fair Value
Petron preferred shares series 3B	18,000	₱8,000,000	₱8,952,000
Ayala Corp Class B Preferred Shares	10,000	5,000,000	5,120,000
Save and learn fixed income fund	2,348,914	5,000,000	5,697,291
BPI unit investment	195,524	20,000,000	22,191,936
Union Bank mutual security fund	–	408,496	463,607
		₱38,408,496	₱42,424,834

	2020		
	No. of Shares	Acquisition Cost	Fair Value
Petron preferred shares series 3B	18,000	₱8,000,000	₱8,912,000
Ayala Corp Class B Preferred Shares	10,000	5,000,000	5,155,000
Save and learn fixed income fund	2,348,914	5,000,000	5,762,356
BPI unit investment	195,524	20,000,000	21,959,263
		₱38,000,000	₱41,788,619

The Association recognized an unrealized gain amounting to ₱227,720 and ₱1,770,256 in the statements of comprehensive income in 2021 and 2020, respectively.
Fair value is based on actual market rates as at December 31, 2021 and 2020.

The movements in the fair value of financial assets at FVOCI follow:

	2021	2020
Balance, January 1	₱41,788,619	₱40,018,363
Additions	408,496	–
Unrealized gain	227,720	1,770,256
Balance, December 31	₱42,424,834	₱41,788,619

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

Dividend income earned amounted to ₱812,134 in 2021 and 2020.

8. Investments in Debt Securities

The account consists of:

	2021	2020
Government security	₱73,178,366	₱73,178,366
Corporate bond	11,000,000	11,000,000
	₱84,178,366	₱84,178,366

Interest earned in 2021 and 2020 amounted to ₱3,712,322 and ₱3,899,102, respectively. Interest rates on these investments range from 3.25% to 8.125% in 2021 and 2020.

The balance of the unamortized premium of the above investments in debt securities amounted to ₱16,366 in 2021 and 2020.

Based on management's assessment, there is no indication of impairment in investments in debt securities in 2021 and 2020.

9. Investment Properties, Net

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

		2021			
	Note	Land	Construction in progress	Building	Total
Cost					
At January 1		₱16,267,097	₱–	₱49,054,127	₱58,951,874
Additions		–	–	–	–
Reclassifications		–	–	–	–
Depreciation	20	–	–	(1,473,808)	(1,473,808)
		₱16,267,097	₱–	₱47,580,319	₱63,847,416

		2020			
	Note	Land	Construction in progress	Building	Total
Cost					
At January 1		₱16,267,097	₱42,684,777	₱–	₱58,951,874
Additions		–	6,369,350	–	6,369,350
Reclassifications		–	(49,054,127)	49,054,127	–
Depreciation	20	–	–	(491,270)	(491,270)
		₱16,267,097	₱–	₱48,562,857	₱64,829,954

The fair market value of land amounted to ₱31,460,800 and ₱31,206,400 in 2021 and 2020, respectively. This is classified under Level 2 of the fair value hierarchy.

The Association intends to use the building to earn rentals and is recognized initially at cost. The building was made available for use in July 2020 resulting to recognition of depreciation expense of ₱982,539 (Note 20). The fair value of the building approximates its carrying value.

Rental income earned amounted to ₱1,797,429 and ₱135,186 in 2021 and 2020, respectively (Note 18).

10. Property and Equipment, Net

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

	Note	Building	Transportation equipment	Computer equipment	Office furniture and fixtures	Total
Cost						
At January 1, 2020		₱2,624,249	₱1,942,622	₱1,585,842	₱1,466,661	₱7,619,374
Additions		125,000	–	267,400	113,028	505,428
At December 31, 2020		2,749,249	1,942,622	1,853,242	1,579,689	8,124,802
Additions		15,000	–	55,181	33,979	104,160
Retirement		–	–	(30,657)	–	(30,657)
At December 31, 2021		₱2,749,249	₱1,942,622	₱1,877,767	₱1,579,689	₱8,198,305
Accumulated depreciation						
At January 1, 2020		₱26,242	₱1,225,453	₱485,696	₱412,200	₱2,149,591
Depreciation	20	53,340	219,222	525,358	258,264	1,056,184
At December 31, 2020		79,582	1,444,675	1,011,054	670,464	3,205,775
Depreciation	20	55,049	193,945	479,182	253,125	981,301
Retirement		–	–	(14,777)	–	(14,777)
At December 31, 2021		₱134,631	₱1,638,620	₱1,475,458	₱923,589	₱4,172,300
Net book value						
At December 31, 2021		**₱2,629,618**	**₱304,000**	**₱402,308**	**₱690,225**	**₱4,0026,005**
At December 31, 2020		₱2,669,667	₱497,947	₱842,188	₱909,225	₱4,919,027

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

The cost of fully depreciated assets still being used in the operation of the Association amounted to ₱1,156,743 as at December 31, 2021 and 2021, respectively.

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

11. Intangible Assets, Net

	Note	
Cost		
January 1, 2020		₱1,331,815
Additions		200,000
December 31, 2020		1,531,815
Additions		–
December 31, 2021		**1,531,815**
Accumulated amortization		
January 1, 2020		377,342
Amortization	20	159,092
December 31, 2020		536,434
Amortization	20	162,297
December 31, 2021		**698,731**
Net book value		
December 31, 2021		**₱833,084**
December 31, 2020		₱995,381

12. Trade and Other Payables

This account consists of:

	2021	2020
Accounts payable	₱5,537,101	₱3,668,038
Accrued expenses	474,498	176,518
Government dues	111,687	128,789
	6,123,286	₱3,973,345

Accounts payable pertains to collection fees.

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

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

13. Aggregate Reserves

This account consists of:

	2021	2020
Liability on individual equity value	₱68,320,671	₱85,506,291
Aggregate reserve for trust liability Reserved Funds (RF)	47,500,987	59,968,937
Optional benefit reserve	2,163,949	1,616,205
Basic contingent benefit reserve	339,378	482,661
	₱118,324,985	₱147,574,094

	2021	2020
Breakdown:		
Current portion		
Liability on individual equity value	₱10,352,705	₱9,821,379
Aggregate reserve for trust liability - RF	9,440,668	10,376,690
Optional benefit reserve	2,163,949	1,616,205
Basic contingent benefit reserve	339,378	482,661
	22,296,700	22,296,935
Noncurrent portion		
Liability on individual equity value	57,967,966	75,684,912
Aggregate reserve for trust liability - RF	38,060,319	49,592,247
	96,028,285	125,277,159
	₱118.324,985	₱147,574,094

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

Aggregate reserve for trust liability is weekly contribution of five pesos (₱5), which shall be credited to the fund for the account of the member. The calculations of the aggregate reserves are based on reasonable actuarial assumptions and are in accordance with generally accepted actuarial principles.

14. Claims Payable on Basic Contingent Benefit and Optional Benefit

The account consists of incurred but not paid claims amounting to ₱839,716 and ₱1,146,509 in December 31, 2021 and 2020, respectively.

	2021	2020
Breakdown:		
Claims Payable on Basic Benefit - IBNR	₱613,670	₱821,584
Claims Payable on Optional Benefit - IBNR	226,046	324,925
	₱839,716	₱1,146,509

15. Fund Balance

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

	Restricted fund balance	Unrestricted fund balance	Total
Balance at December 31, 2020	₱53,486,054	₱26,989,093	₱80,475,147
Movement during the year	25,687,705	(4,146,919)	21,540,786
Balance at December 31, 2021	**₱79,173,759**	**₱22,842,174**	**₱102,015,933**
Balance at January 1, 2020	₱42,232,120	₱32,288,557	₱74,520,677
Movement during the year	11,253,934	(5,299,464)	5,954,470
Balance at December 31, 2020	₱53,486,054	₱26,989,093	₱80,475,147

Restricted fund is composed of guaranty fund, benefits in kind and other relevant services, enhancement of equity value fund, capacity building, continuing member's education, hospital assistance fund, research and development fund, computer software maintenance and reclassified Aggregate reserve for Trust Liability RF & Equity value of more than 3 years lapsed members.

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

	2021	2020
Guaranty fund	₱30,816,939	₱28,886,964
Restricted fund balance (equity value and RF)	37,599,687	10,950,965
Benefits in kind and other relevant services	4,955,446	6,912,729
Enhancement of equity value	2,256,930	2,256,930
Capacity building fund	1,444,070	1,485,076
Continuing member's education fund	1,050,035	1,374,270
Hospital assistance fund & other member's benefit	567,226	772,116
Software maintenance	483,426	638,858
Research and development	–	208,146
	₱79,173,759	₱53,486,054

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

As at and for the years ended December 31, 2021 and 2020, the Association's excess unrestricted fund balance from twenty percent (20%) of liabilities are as follows:

	2021	2020
Unrestricted fund balance	₱22,842,174	₱26,989,093
Total liabilities	124,998,169	154,305,500
20% of liabilities	24,999,634	30,861,100
Excess of unrestricted fund balance from 20% of liabilities	₱–	₱–

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

	2021	2020
Benefits in kind and other relevant services	₱1,957,283	₱19,193
Continuing member's education fund	324,235	383,483
Research and development	225,718	181,476
Software maintenance	137,860	31,166
Capacity building fund	41,006	1,054,950
Equity Value Enhancement	–	–
Other Member's Benefits	204,890	65,730
	₱2,890,992	₱1,735,998

16. Related Party Transactions

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

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

Name of related party	Relationship	Nature of the related party transaction
Kabuhayan sa Ganap Na Kasarinlan Credit and Savings Cooperative (KCOOP)	KCOOP partner	Member's Contribution and Premium Collection

The following summarizes the Association's related party transactions:

	Note	2021			
		2020	Additions during the year	Payment/ Collections	2021
Unremitted Contribution Dues and Fees	6	₱7,112,411	₱38,781,174	(₱32,681,741)	₱6,099,434
Unremitted Premiums	6	2,319,090	11,706,280	(9,461,531)	1,958,946
Receivable from KCOOP		–	7,496,943	–	7,496,943
Payable to KCOOP		–	–	(3,570,778)	(3,570,778)
		₱9,431,501	₱57,984,397	(₱45,714,050)	₱11,984,545

	Note	2020			
		2019	Additions during the year	Payment/ Collections	2020
Unremitted Contribution Dues and Fees	6	₱1,959,526	₱26,930,168	(₱21,777,283)	₱7,112,411
Unremitted Premiums	6	1,110,202	8,382,155	(7,173,267)	2,319,090
		₱3,069,728	₱35,312,323	(₱28,950,550)	₱9,431,501

Details of the Association's related party transactions follow:

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

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

	Note	2021	2020	Terms and conditions	Security	Nature of consideration to be provided upon settlement	Details of guarantees given or received	Impairment loss
Unremitted Contribution Dues and Fees	6	₱6,099,434	₱7,112,411	Demandable	Unsecured	Cash	None	None
Unremitted Premiums	6	1,958,946	2,319,090	Demandable	Unsecured	Cash	None	None
Receivable from KCOOP	6	7,496,943	–	Demandable	Unsecured	Cash	None	None
Payable to KCOOP		(3,570,778)	–	Demandable	Unsecured	Cash	None	None

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17. Retirement Benefit Obligation, Net

The Association has a noncontributory, defined benefit plan covering all its officers and regular employees. Retirement benefits expense recognized in the statements of comprehensive income is computed based on provision of PAS 19 (Amended). The principal actuarial assumptions used to determine the funding of the trust fund is accrued benefit actuarial cost method which take into account the factors of investment, mortality, disability, and salary projection rates. The latest actuarial valuation is as at December 31, 2021.

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

	2021	2020
Present value of the obligation	₱3,137,978	₱2,817,210
Fair value of plan assets	(3,428,667)	(1,209,139)
Retirement benefit obligation (plan asset), net	(₱290,689)	₱1,608,071

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

	Note	2021	2020
Current service cost		₱328,670	₱420,921
Interest cost, net		24,479	117,086
	20	₱353,149	₱538,007

a. Reconciliation of defined benefit obligation

The movement in the defined benefit obligation is as follows:

	2021	2020
Present value of the obligation at January 1	₱2,817,210	₱3,217,474
Current service cost	328,670	420,921
Interest cost	118,168	157,334
Remeasurements in other comprehensive income:		
Loss (gain) in defined benefit obligation from changes in financial assumptions	(236,648)	(330,177)
Loss (gain) in defined benefit obligation due to experience	110,578	(648,342)
	(400,264)	(400,264)
Present value of the obligation at December 31	₱3,137,978	₱2,817,210
Fair value of plan assets at January 1	₱1,209,139	₱1,168,551
Contribution	2,048,926	–
Expected return	93,689	40,248
Remeasurements in other comprehensive income:		
Gain in defined benefit obligation due to experience	76,913	340
	2,219,528	40,588
Fair value of plan assets at December 31	₱3,428,667	₱1,209,139
Retirement benefit obligation at December 31	(₱290,689)	₱1,608,071

b. Remeasurements in other comprehensive income

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

	2021	2020
Beginning	(₱597,557)	(₱1,576,416)
Actuarial gain (loss) recognized, net	202,983	978,859
	(₱394,574)	(₱597,557)

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

	2021	2020
Discount rate	4.74%	4.19%
Expected rate of salary increases	5.00%	5.00%

18. Revenue

This account consists of:

	Note	2021	2020
Gross member's contribution		₱27,755,925	₱32,383,598
Gross premium		10,826,485	8,392,288
Rental income	9	1,797,429	135,186
Membership fees		1,756,915	390,800
Miscellaneous income		584,605	26,238
		₱42,721,359	₱41,328,110

Rental income is earned from the lease of investment properties (Note 10).

Miscellaneous income is composed of other income from members and income other than contribution, premiums and membership fees.

Breakdown of revenue recognized at a point in time and over a period of time follow:

	2021	2020
A point in time	₱38,582,410	₱40,775,887
Over a period of time	4,138,949	552,223
	₱42,721,359	₱41,328,110

19. Benefit Expenses

	2021	2020
Allocation for liability on individual equity	2,690,101	(6,331,683)
Benefit/claims expenses - BLIP	(12,989,326)	(11,091,073)
Benefit/claims expenses - Equity value	(16,568,063)	(9,860,117)
Benefit/claims expenses - CLIP	(3,470,762)	(2,328,730)
Benefit/claims expenses - HIIP	(60,200)	(91,000)
Collection fees	(5,139,994)	(4,761,754)
Other expenses for members	(99,638)	(10,540)
Increase/decrease in aggregate reserve for trust liability	10,436,420	(2,944,797)
Increase/decrease in reserve for basic contingent fund	(351,197)	(322,821)
Increase/decrease in liability on individual equity	14,495,520	10,061,915
Increase/decrease in reserve for optional benefit	448,866	273,931
	(₱10,803,611)	(₱27,406,669)

20. Operating Expenses

This account consists of:

	Notes	2021	2020
Salaries, wages and benefits		₱5,770,704	₱4,693,069
Depreciation of investment properties	*10*	982,539	491,270
Depreciation of property and equipment	*11*	981,301	1,056,184
Office supplies		587,354	232,884
Taxes, licenses and fees		535,677	145,669
Repairs and maintenance		501,466	221,983
Service fee		475,560	479,280
Utilities		355,619	465,454
Retirement benefit cost	*18*	353,149	538,007
Technical and professional fees		344,430	326,788
Transportation and travel allowance		236,632	442,252
Communication expense		172,108	161,972
Amortization	*12*	162,297	159,092
Insurance		122,071	108,470
Building supplies		103,235	122,382
MBA Dues		69,409	70,821
Annual general assembly		49,826	22,540
Reinsurance premium		42,664	47,000
Meeting and conferences		42,464	50,675
Dues and subscription		40,354	57,709
Bank and other charges		28,381	5,578
Professional and Technical Dev't		16,000	–
Medicine		15,129	12,259
Research and development		9,886	56,088
Meals		6,011	513,730
Donations and contributions		5,000	2,000
Marketing, advertising and promotions		6,160	–
Representation and entertainment		–	486,116
Gasoline expense		–	21,051
Investment Management Fees		–	9,707
Miscellaneous		6,692	11,833
		₱12,022,118	₱11,011,863

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21. Lease Agreement

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

In 2020, the Association used part of their building as office space.

Relative to the lease agreements, the Association paid security deposit amounting to nil and ₱2,079 as at December 31, 2021 and 2020, respectively.

22. Income Tax Exemption

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

Income tax expense amounting to ₱17,882 and ₱3,481 was recognized from the rental income earned from its investment properties in 2021 and 2020, respectively (Note 19).

23. Financial Risk Management Objectives and Policies

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

Credit risk

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

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

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

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

	Notes	2021	2020
Cash and cash equivalents*	5	₱16,877,122	₱29,627,995
Receivables	6	17,763,631	10,356,768
Short term investment	7	–	–
Rental deposit	21	2,079	2,079
Other funds and deposits**		–	408,497
Financial assets at FVOCI	8	42,424,834	41,788,619
Investments in debt securities	9	84,178,366	84,178,366
		₱77,067,666	₱82,183,958

Cash and cash equivalents exclude cash on hand amounting to ₱32,000 and ₱32,000 in 2021 and 2020, respectively.

***Other funds and deposit is recorded under noncurrent assets in the statement of financial position in year 2020 and was reclassified to Financial Asset at fair value through OCI in year 2021.*

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

	December 31, 2021						
		Neither impaired nor past due	Past due but not yet impaired				
	Total	Current	1 to 60 days	61 to 90 days	91 to 120 days	More than 120 days	Impaired
Financial assets at amortized cost							
Cash and cash equivalents*	₱16,877,122	₱16,877,121	₱–	₱–	₱–	₱–	₱–
Receivables	17,763,63	17,763,631	–	–	–	–	–
Short term investment	–	–	–	–	–	–	–
Rental deposit	2,079	2,079	–	–	–	–	–
Investments in debt securities	84,178,366	84,178,366	–	–	–	–	–
Financial assets at FVOCI	42,424,834	42,424,834	–	–	–	–	–
	₱161,246,032	₱161,246,033	₱–	₱–	₱–	₱–	₱–

Cash and cash equivalents exclude cash on hand amounting to ₱32,000 and ₱32,000 in 2021 and 2020, respectively.

***Other funds and deposit is recorded under noncurrent assets in the statement of financial position in year 2020 and was reclassified to Financial Asset at fair value through OCI in year 2021.*

	December 31, 2020						
		Neither impaired nor past due	Past due but not yet impaired				
	Total	Current	1 to 60 days	61 to 90 days	91 to 120 days	More than 120 days	Impaired
Financial assets at amortized cost							
Cash and cash equivalents	₱29,627,995	₱29,627,995	₱–	₱–	₱–	₱–	₱–
Receivables	10,356,768	10,356,768	–	–	–	–	–
Short term investment	–	–	–	–	–	–	–
Rental deposit	2,079	2,079	–	–	–	–	–
Other funds and deposits	408,497	408,497	–	–	–	–	–
Investments in debt securities	84,178,366	84,178,366	–	–	–	–	–
Financial assets at FVOCI	41,788,619	41,788,619	–	–	–	–	–
	₱166,362,324	₱166,362,324	₱–	₱–	₱–	₱–	₱–

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

Credit quality per class of financial assets

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

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

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

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

The table below shows the credit quality by class of financial assets (gross of allowance for credit losses) of the Association based on their historical experience with the corresponding third parties as of December 31, 2021 and 2020:

	2021						
	Neither Past Due nor Impaired						
	High Grade	Standard Grade	Substandard Grade	Unrated	Past Due but Not Impaired	Impaired	Total
Financial assets at amortized cost							
Cash and cash equivalents*	₱16,877,121	₱–	₱–	₱–	₱–	₱–	₱16,877,121
Receivables	17,763,63	–	–	–	–	–	17,763,63
Rental deposit	2,079	–	–	–	–	–	2,079
Investments in debt securities	84,178,366	–	–	–	–	–	84,178,366
Financial assets at FVOCI	42,424,834	–	–	–	–	–	42,424,834
	₱161,246,033	₱–	₱–	₱–	₱–	₱–	₱161,246,033

**Cash and cash equivalents exclude cash on hand amounting to ₱32,000 and ₱12,000 in 2020 and 2019, respectively.*

	2020						
	Neither Past Due nor Impaired						
	High Grade	Standard Grade	Substandard Grade	Unrated	Past Due but Not Impaired	Impaired	Total
Financial assets at amortized cost							
Cash and cash equivalents*	₱29,627,995	₱–	₱–	₱–	₱–	₱–	₱29,627,995
Receivables	10,356,768	–	–	–	–	–	10,356,768
Rental deposit	2,079	–	–	–	–	–	2,079
Other funds and deposits	408,497	–	–	–	–	–	408,497
Investments in debt securities	84,178,366	–	–	–	–	–	84,178,366
Financial assets at FVOCI	41,788,619	–	–	–	–	–	41,788,619
	₱166,362,324	₱–	₱–	₱–	₱–	₱–	₱166,362,324

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Impairment assessment

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

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

Specific (individual) assessment

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

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

Liquidity risk

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

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

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

		December 31, 2021				
	Notes	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
Trade and other payables*	12	₱6,012,470	₱–	₱–	₱–	₱6,012,470
Liability on individual equity value	13	9,440,668	–	–	38,060,319	47,500,987
Aggregate reserve for trust liability	13	10,352,705	–	–	57,967,966	68,320,670
Basic contingent benefit reserve	13	339,378	–	–	–	339,378
Optional benefit reserve	13	2,163,949	–	–	–	2,163,949
Claims payable on basic contingent benefit	14	839,716	–	–	–	839,716
		₱29,553,582	₱–	₱–	₱96,028,284	₱125,177,170

**excluding government dues amounting to ₱111,687 and ₱128,789*

	Notes	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Total
		December 31, 2020				
Trade and other payables*	12	₱3,844,556	₱–	₱–	₱–	₱3,844,556
Liability on individual equity value	13	9,821,379	–	–	75,684,912	85,506,291
Aggregate reserve for trust liability	13	10,376,690	–	–	49,592,247	59,968,937
Basic contingent benefit reserve	13	482,661	–	–	–	482,661
Optional benefit reserve	13	1,616,205	–	–	–	1,616,205
Claims payable on basic contingent benefit	14	1,146,509	–	–	–	1,146,509
		₱27,288,000	₱–	₱–	₱125,277,159	₱152,565,159

**excluding government dues amounting to ₱111,687 and ₱128,789*

Capital risk management

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

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

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

	2021	2020
Debt	**₱124,998,169**	₱154,305,500
Cash and cash equivalents	**(16,877,122)**	(29,659,995)
Net Debt	**108,121,047**	124,645,505
Equity	**105,637,697**	83,666,209
Net debt to equity ratio	**1.02:1**	1.49:1

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

Margin of Solvency (MOS)

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

The MOS shall be the excess of the value of its admitted assets (as defined under the IC Code), exclusive of its paid-up capital, over the amount of its liabilities, unearned premiums and reinsurance reserves. As at December 31, 2021 and 2020, the Association's MOS ratio based on its calculations are 123.74% and 132%, 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 is as follows:

	2021	2020
Admitted assets	₱221,208,302	₱233,808,790
Admitted liabilities	124,998,169	155,511,158
Net worth	₱96,210,133	₱78,297,632

As at December 31, 2021 and 2020, the estimated non-admitted assets of the Association's life operations, as defined under the Code, which are included in the accompanying statements of financial position follows:

	2021	2020
Transportation equipment	₱304,000	₱497,945
Other current assets	685,406	835,101
Receivables	7,748,080	925,267
Office furniture and fixture	690,078	909,225
Software and system development	–	995,381
Total non-admitted assets	₱9,427,564	₱4,162,919

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

Price risk

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

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

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

The following table shows the equity impact of reasonable possible change in the fair values of the Association's investments as of December 31, 2021 and 2020 (all other variables held constant), respectively.

	2021		2020	
	Volatility	Effect on Total Comprehensive Income	Volatility	Effect on Total Comprehensive Income
Financial assets at FVOCI	1%	₱17,702	1%	₱17,702
	(1%)	(17,702)	(1%)	(17,702)

Guaranty fund

As a mutual benefit association, the IC also requires the Association to possess a guaranty fund of ₱5.00 million. This minimum amount shall be maintained at all times and it must be increased by an amount equivalent to 5% of the Association's gross premium collections until the guaranty fund reaches 12.5% of the minimum paid up capital for domestic life insurance companies or ₱125.00 million. As at December 31, 2021 and 2020, the Association has a total of ₱30,816,939 and ₱28,886,964 representing guaranty fund which is deposited with the IC.

24. Financial Assets and Financial Liabilities

The table below presents a comparison by category of carrying amounts and fair values of the Company's financial instruments as at December 31, 2021 and 2020:

	2021		2020	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	₱16,877,122	₱16,877,122	₱29,659,995	₱29,659,995
Receivables, net	17,763,631	17,763,631	10,356,768	10,356,768
Rental deposit	2,079	2,079	2,079	2,079
Other funds and deposits	—	—	408,497	408,497
Investment in debt securities	84,178,366	84,178,366	84,178,366	84,178,366
Financial assets at FVOCI	42,197,115	42,424,834	41,788,619	41,788,619
	161,018,313	161,246,033	166,394,324	166,394,324
Financial Liabilities				
Trade and other payables*	6,012,470	6,012,470	3,844,556	3,844,556
Liability on individual equity value	68,320,670	68,320,670	85,506,291	85,506,291
Aggregate reserve for trust liability	47,500,987	47,500,987	59,968,937	59,968,937
Basic contingent benefit reserve	339,378	339,378	482,661	482,661
Optional benefit reserve	2,163,949	2,163,949	1,616,205	1,616,205
Claims payable on basic contingent benefit	839,716	839,716	1,146,509	1,146,509
	₱125,177,170	₱125,177,170	₱152,565,159	₱152,565,159

***excluding government dues amounting to ₱111,687 and ₱128,789*

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents, Receivables, net, Rental Deposit and Other Funds and Deposit. The carrying amounts of cash and cash equivalents, and receivables approximate fair values primarily due to the relatively short-term maturities of these financial instruments.

Investment in debt securities and Financial assets at FVOCI. The fair values of publicly traded instruments and similar investments are based on quoted market prices in an active market.

Trade and Other Payable, Liability on Individual Equity Value, Aggregate Reserve for Trust Liability, Basic Contingent Benefit Reserve, Optional Benefit Reserve Claims Payable On Basic Contingent Benefit. The carrying amount of accounts payable and other current liabilities approximates fair value due to the relatively short-term maturity of this financial instrument.

Fair Value Hierarchy
Financial assets and financial liabilities measured at fair value in the statements of financial position are categorized in accordance with the fair value hierarchy. This hierarchy groups financial assets and financial liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial liabilities (Note 3).

The table below analyzes financial instruments carried at fair value by valuation method:

2021	Level 1	Level 2	Total
Financial Assets			
Investment in debt security	₱–	₱84,178,366	₱84,178,366
Financial assets at FVOCI	42,424,834	–	42,424,834

2020	Level 1	Level 2	Total
Financial Assets			
Investment in debt security	₱–	₱84,178,366	₱84,178,366
Financial assets at FVOCI	41,788,619	–	41,788,619

The Company has no financial instruments valued based on Level 3 as at December 31, 2021 and 2020. In 2021 and 2020, 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.

25. Other Matter

Continuing Effects of COVID-19 Pandemic

On March 11, 2020, the World Health Organization assessed that the novel coronavirus of 2019 (COVID-19) has become a pandemic. In an effort to contain the spread of COVID-19 in the Philippines, community quarantines and alert levels of varying strictness were imposed in numerous parts of the country. Furthermore, the Government implemented COVID-19 vaccine deployment and vaccination program to mitigate the spread of the virus.

These measures did not affect economic activities and business operations of the Association. The scale and duration of these developments remain uncertain as of the report date. Considering the evolving nature of the pandemic, the Association will continue to monitor the situation.

26. Supplementary Information Required by the Bureau of Internal Revenue (BIR)

REVENUE REGULATIONS (RR) NO. 15-2010

On November 25, 2010, the BIR issued RR No. 15-2010 which prescribes additional procedural and/or documentary requirements in connection with the preparation and submission of financial statements accompanying the tax returns. Under the said RR, companies are required to disclose, in addition to the disclosures mandated under PFRS and such other standards and/or conventions that may heretofore be adopted, in the Notes to the Financial Statements, information on taxes, duties and license fees paid or accrued during the taxable year. In compliance with the requirements set forth by RR 15-2010 hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year.

a. Output VAT

The amount of output tax declared by the Association is ₱232,244 and nil for the year 2021 and 2020, respectively.

b. Input VAT

The amount of input tax claimed by the Association is ₱9,360 and nil for the year 2021 and 2020, respectively.

c. Landed cost of importation, custom duties and tariff fees

The Association did not have any importations in 2021 that would require for the payment of customs duties and tariff fees.

d. Excise taxes

The Association did not have any transactions in 2021 which are subject to excise tax.

e. Documentary stamp tax (DST)

The Association did not have any transactions in 2021 which are subject to documentary stamp tax.

f. Other taxes and licenses

Details of the Association's other taxes and licenses and permits in 2021 are as follows:

Duties and taxes	₱249,330
Business Permit	23,328
Others	263,019
	₱535,677

g. Withholding taxes

The amount of withholding taxes paid/accrued for the year amounted to:

Withholding tax - Compensation	₱464,634
Withholding tax - Expanded	10,727
	₱475,361

h. Periods covered and amounts of deficiency tax assessments, whether protested or not

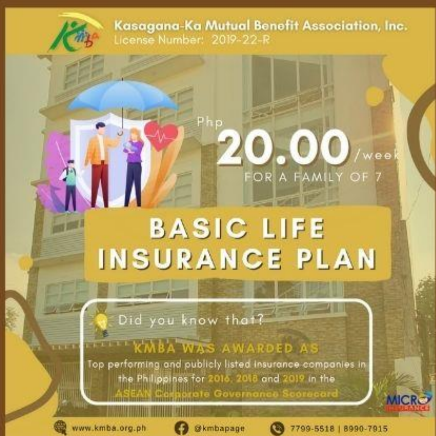
The Association has not yet received a final assessment notice from the Regional Office for the taxable year December 31, 2021 for deficiency income/VAT/percentage/withholding tax, which has been protested/agreed upon.

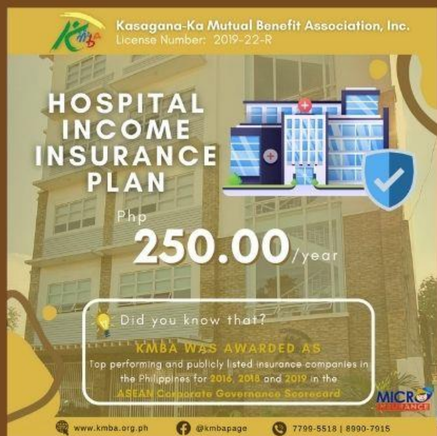
REVENUE REGULATION (RR) NO. 34-020

RR No. 34-2020, Prescribing the Guidelines and Procedures for the Submission of BIR Form No. 1709, Transfer Pricing Documentation (TPD) and other Supporting Documents, Amending for this Purpose the Pertinent Provisions of RR Nos. 19-2020 and 21-2002, as amended by RR No. 15-2010, to streamline the guidelines and procedures for the submission of BIR Form No. 1709, TPD and other supporting documents. Section 2 of the RR enumerated the taxpayers required to file and submit the RPT Form, together with the Annual Income Tax Return.

The Association is not covered by the requirements and procedures for related party transactions provided under RR 34-2020 for the year ended December 31, 2021.

KMBA PRODUCTS AND SERVICES





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