

COVER SHEET
for
AUDITED FINANCIAL STATEMENT

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SEC Registration Number

6	1	7	-	7	6	0	-	0	3	0
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Tax Identification Number

Association Name

S	E	D	M	F	I		M	U	T	U	A	L		B	E	N	E	F	I	T		A	S	S	O	C	I	A	T	I	O	N
I	N	C	.																													

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

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E	E	T																														

(Form Type)
Applicable)

A	A	F	S
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(Department Requiring the Report)

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Secondary License Type, if

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COMPANY INFORMATION

Association's Email Address

sedmfimba@gmail.com

Association's Telephone Number

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Mobile Number

0948-8470321

No. of Stockholder

NA

Annual Meeting (Month/Day)

3rd Wednesday of April

Fiscal Year

2024

CONTACT PERSON INFORMATION

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

Name of Contact Person

Jeremias L. Rivas

Email Address

sedmfimba@gmail.com

Telephone Number/s

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Mobile Number/s

0948-8470321

Contact Person's Address

SEDMFI Bldg., M. Ortiz Street, Washington, Surigao City

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



SEDPMFI Mutual Benefit Association Inc.
SEDPMFI Bldg. 00780 M. Ortiz St., Washington (Pob.), Surigao City (Capital),
Surigao Del Norte, Region XIII (Caraga), 8400
Email add: sedmfimba@gmail.com

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of SEDPMFI Mutual Benefit Association Inc. is responsible for the preparation and fair presentation of its financial statements for the years ended December 31, 2024 and 2023, in accordance with Philippine Financial Reporting Standards (PFRSs), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

The Board of Trustees reviews and approves the financial statements and submits the same to the stockholders.

Quilab & Garsuta, CPAs, the independent auditors appointed by the Board of Trustees for the period December 31, 2024, and Mr. William Estrada Sardovia, Jr. for the period December 31, 2023, have audited the financial statements of the Association in accordance with Philippine Standards on Auditing, and in their reports to the Board of Trustees, have expressed their opinion on the fairness of presentation upon completion of such audits.

January 27, 2025, Surigao City, Philippines.

EMMA C. ONGAYO
Chairman, Board of Trustees

VIRGINIA Y. SALIBAY
Treasurer

REPORT OF INDEPENDENT AUDITORS

Contact Information

2F, Executive Centrum Building, J.R. Borja Street
Cagayan de Oro City, Philippines, 9000
(063) 88-856-4401, 0917-7121352
quilabgarsuta.com

Current Accreditations

BOA, BIR, SEC, BSP, IC
CDA, NEA, MISEREOR, KNH

The Board of Trustees
SEDMFI Mutual Benefit Association Inc.
00780 SEDMFI Building, M. Ortiz Street
Washington (Poblacion), 8400 Surigao City

Report on the Financial Statements

Opinion

We have audited the financial statements of SEDMFI Mutual Benefit Association Inc. which comprise the statement of financial position as at December 31, 2024, and the statement of pre-operating income and expenses, statement of changes in fund balances, and statement of cash flows for the year then ended, and notes to financial statements, comprising of a summary of material accounting policy information and other explanatory notes, collectively referred to as 'financial statements.'

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of SEDMFI Mutual Benefit Association Inc. as of December 31, 2024 and of its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors' 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 opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our

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

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

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

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.

Other Matters

The financial statements of SEDMFI Mutual Benefit Association Inc. as of and for the year ended December 31, 2023, were audited by another auditor, whose report, dated January 20, 2024, on those statements, was unqualified. As part of our audit of the Association's financial statements as of and for the year ended December 31, 2024, we also audited the adjustments described in Note 2 to the financial statements that were applied to amend the Association's financial statements as of and for the year ended December 31, 2023. In our opinion, such adjustments are appropriate and has been properly applied. The Association is transitioning to full PFRSs and the adjustments are necessary. We were not engaged to audit, review, or apply any procedures to the Association's financial statements as of and for the year ended December 31, 2023 other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the Association's financial statements as of and for the year ended December 31, 2023, taken as a whole.

As explained in Note 1 to the financial statements, the Association was incorporated by the Securities and Exchange Commission (SEC) on September 28, 2022, and its secondary license as a mutual benefit association was approved by the Insurance Commission (IC) on May 3, 2024. The Association, however, has not started operations in 2024, opting to start operating as an MBA by January 2, 2025.

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes, licenses and fees in Note 15 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of 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.

QUILAB & GARSUTA, CPAs

By:



RICO P. QUILAB

Partner

CPA Cert. No. 46034

TIN No. 129-040-841

PRC/BOA Cert. No. 7787, 2023-2026

BIR No. 16-007506-001-2022, 2022-2024

CDA CEA No. 1898, 2024-2028

46034-SEC Group B, 2020-2024

46034-BSP Group B, 2020-2024

46034-IC Group A, 2020-2024

PTR No. 6133947 A

January 2, 2025

Cagayan de Oro City

January 27, 2025

Cagayan de Oro City, Philippines

STATEMENTS OF FINANCIAL POSITION

SEDMFI Mutual Benefit Association Inc.

December 31,	2024	2023
		(As Restated) (Note 2)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	P164,914	P58,364
Accrued interest receivable (Note 8)	107,441	104,641
Accounts receivable – others (Note 8)	–	5,499
Unused office supplies (Note 6)	8,500	8,500
Total Current Assets	280,855	177,004
Non-Current Assets		
Office equipment – net (Note 7)	9,500	–
Investment in debt securities (Note 8)	5,227,391	4,994,501
Total Non-Current Assets	5,236,891	4,994,501
	P5,517,746	P5,171,505
FUND BALANCES		
Guaranty Fund (Note 9)	P5,000,000	P5,000,000
General Fund	517,746	171,505
	P5,517,746	P5,171,505

See Notes to Financial Statements.

Note

The Association was incorporated by the Securities and Exchange Commission (SEC) on September 28, 2022, and obtained its secondary license as a mutual benefit association (MBA) from the Insurance Commission (IC) on May 3, 2024; it has not started operating as an MBA in 2024 and 2023 and intends to formally start as an MBA by January 2, 2025. (See Note 1.)

STATEMENTS OF PRE-OPERATING INCOME AND EXPENSES

SEDMFI Mutual Benefit Association Inc.

Years Ended December 31,	2024	2023
		(As Restated) (Note 2)
PRE-OPERATING INCOME		
Donations for pre-operating expenses (Note 11)	₱481,468	₱506,222
Interest income from investments and bank deposits (Notes 5 and 8)	231,334	105,094
Donation for Guaranty Fund (Note 9)	—	5,000,000
Total Other Income	712,802	5,611,316
PREOPERATING EXPENSES		
Staff development (Note 1)	176,168	—
Taxes, licenses and fees (Note 15)	158,904	68,739
Meetings and conferences	11,005	16,541
Office supplies	8,262	—
Professional fees	7,000	382,398
Transportation	2,322	25,220
Miscellaneous	2,900	5,413
Total Preoperating Expenses	366,561	498,311
NET PREOPERATING INCOME DURING THE YEAR	₱346,241	₱5,113,005

See Notes to Financial Statements.

Note

The Association was incorporated by the Securities and Exchange Commission (SEC) on September 28, 2022, and obtained its secondary license as a mutual benefit association (MBA) from the Insurance Commission (IC) on May 3, 2024; it has not started operating as an MBA in 2024 and 2023 and intends to formally start as an MBA by January 2, 2025. (See Note 1.)

STATEMENTS OF CHANGES IN FUND BALANCES

SEDMFI Mutual Benefit Association Inc.

December 31,	2024	2023
		(As Restated) (Note 2)
GUARANTY FUND		
Opening balances, as originally stated	P4,994,501	P-
Reversal of transactions cost subsequently refunded (Note 8)	5,499	-
As restated	5,000,000	-
Allocation of donated income from General Fund (Note 9)	-	5,000,000
Closing balances	5,000,000	5,000,000
GENERAL FUND		
Opening balances, as originally stated	66,864	58,500
Accrual of interest income on financial asset (Notes 2 and 8)	104,641	-
As restated	171,505	58,500
Net preoperating income during the year	346,241	5,113,005
Allocation of donated income to guaranty fund (Note 9)	-	(5,000,000)
Closing balances	517,746	171,505
	P5,517,746	P5,171,505

See Notes to Financial Statements.

Note

The Association was incorporated by the Securities and Exchange Commission (SEC) on September 28, 2022, and obtained its secondary license as a mutual benefit association (MBA) from the Insurance Commission (IC) on May 3, 2024; it has not started operating as an MBA in 2024 and 2023 and intends to formally start as an MBA by January 2, 2025. (See Note 1.)

STATEMENTS OF CASH FLOWS

SEDMFI Mutual Benefit Association Inc.

Years Ended December 31,	2024	2023
		(As Restated) (Note 2)
CASH FLOWS FROM PRE-OPERATING ACTIVITIES		
Net preoperating income	P346,241	P5,113,005
Adjustments:		
Interest income on investment in debt securities (Note 8)	(231,448)	(104,641)
Decrease in accrued interest receivable (Note 8)	(2,800)	(104,641)
Increase in accounts receivable – others (Note 8)	5,499	(5,499)
Net Cash Used for Pre-operating Activities	117,492	4,898,224
CASH FLOWS FOR INVESTING ACTIVITIES		
Increase in investment in debt securities (Note 8)	(232,890)	(4,994,501)
Interest income from investments in debt securities (Note 8)	231,448	104,641
Acquisition of office equipment (Note 7)	(9,500)	–
Net Cash Used for Investing Activities	(10,942)	(4,889,860)
NET INCREASE IN CASH AND CASH EQUIVALENTS	106,550	8,364
OPENING CASH AND CASH EQUIVALENTS	58,364	50,000
CLOSING CASH AND CASH EQUIVALENTS (Note 5)	P164,914	P58,364

See Notes to Financial Statements.

Note

The Association was incorporated by the Securities and Exchange Commission (SEC) on September 28, 2022, and obtained its secondary license as a mutual benefit association (MBA) from the Insurance Commission (IC) on May 3, 2024; it has not started operating as an MBA in 2024 and 2023 and intends to formally start as an MBA by January 2, 2025. (See Note 1.)

NOTES TO FINANCIAL STATEMENTS

SEDMFI Mutual Benefit Association Inc.

As of and for the Years Ended December 31, 2024 and 2023

Note 1

General Information

SEDMFI Mutual Benefit Association Inc. (Association) was incorporated and registered with the Securities and Exchange Commissions (SEC) on September 28, 2022 under Registration No. 2022090070054-02 primarily to 'advance the interest and promote the welfare of the poor in particular and the interest and welfare of the Philippines in general' by extending financial assistance to its members including their spouses, children and parents in the form of death benefits, total and permanent disability benefits, sickness benefits, provident savings and loan redemption assistance, and ensuring their continued access to the benefits and resources of the Association by actively involving the members in the management of the Association's affairs. It was established primarily to respond to the needs of the clients of Surigao Economic Development and Microfinance Foundation, Inc. (SEDMFI).

The Association has not started operating as an MBA in 2024. While it obtained its secondary license as a mutual benefit association (MBA) from the Insurance Commission (IC) on May 3, 2024, it opted not to operate right away choosing instead to equip itself of adequate technical knowhow in the administration of an MBA by investing in training and staff development activities. From the time of its incorporation up to December 31, 2024, the Association focused itself in preparing its technical and organizational capabilities. The Association intends to operate formally as an MBA by January 2, 2025.

The Association is being supported by SEDMFI for its pre-operating activities. (See Note 11) It is holding principal office at the SEDMFI Building at 00780, M. Ortiz Street, Washington (Poblacion), Surigao City, free of charge.

Tax Exemptions

The Association is presently processing its application for tax exemptions from the Bureau of Internal Revenue (BIR). As a non-stock, non-profit corporation the Association's primary purposes fall under Section 30 (C) of the National Internal Revenue Code (NIRC) of 1997, as amended, which exempts the Association from income tax on revenues or receipts from membership fees, members premium contributions and obtainable surplus from operations.

Note 2

Statement of Compliance with Philippine Financial Reporting Standards (PFRSs)

Statement of Compliance

This is the first financial statements of the Association prepared in accordance with Philippine Financial Reporting Standards (PFRSs) and Philippine Interpretations-IFRIC. PFRSs include statements named PFRSs and Philippine Accounting Standards (PAS/IAS), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been adopted by the Financial and Sustainability Reporting Standards Council (FSRSC) from the pronouncements issued by the International Accounting Standards Board and approved by the Philippine Board of Accountancy (BOA) and adopted by the Securities and Exchange Commission (SEC).

Since the Association already obtained its secondary license as an MBA from the Insurance Commission (IC), it is now a supervised entity by the IC. As such, it also abides by the regulations of the IC particularly those that are set forth under Section 189 of The Amended Insurance Code and with IC Circular Letter No. 2014-41 *Standard Chart of Accounts (SCA) for MBAs*, and all applicable IC Circular Letters and accounting requirements. These regulations and requirements are substantially compliant with PFRSs and the Revised SRC Rule 68 (2019).

In adopting PFRSs for the first time, the Association also recognized the effects of the transition from the financial reporting framework used in 2023 to PFRSs beginning 2024. In accordance with the transition requirements of PFRSs, the transition is applied back to January 1, 2023, to allow for comparative presentation that is compliant with PFRSs. In applying PFRSs for the first time in 2024 and 2023, the following matters represent the impact of the changes in accounting policies and other reclassifications made on the 2023 financial statements:

- (1) The Association restated its 2023 financial statements to recognize the donations for the funding of the Guaranty Fund from the Surigao Economic Development and Microfinance Foundation, Inc. (SEDMFI), originally directly credited to equity, now becoming part of the income of 2023, as contemplated under PAS/IAS 20, and then allocated to Guaranty Fund from the General Fund. (See Note 9.)
- (2) The support from SEDMFI in the nature of donations to cover the pre-operating expenses of the Association were directly credited to equity as donated capital. These donations are treated as part of the statement of pre-operating profit or loss and the 2023 donations were reported in profit or loss.
- (3) The interest income on investments in debt securities placed in 2023 and maturing by June 2024, representing the funds donated by SEDMFI to the Association intended for funding the IC-required Guaranty Fund, was taken on cash basis in 2024. The said investments are identified as financial asset at amortized cost, hence, the interest accruing for 2023 had been accrued. (See Note 8.)

The following represents the impact of the changes made as explained in the foregoing:

<i>December 31, 2023</i>	<i>Total Assets</i>	<i>Fund Balances</i>	<i>Preoperating P/L</i>
Totals as originally stated	₱5,061,365	₱5,061,365	(₱497,858)
Recognition of donations in preop profit or loss:			
Donation intended for Guaranty Fund (Note 9)		(5,000,000)	5,000,000
Donation for preoperating expenses (Note 11)		(506,222)	506,222
Refundable transaction costs (Note 8)	5,499	5,499	
Accrual of interest on financial asset (Note 8)	104,641		104,641
Effect on closure of preop p/l to general fund (Note 8)		5,610,863	
Totals as restated	₱5,171,505	₱5,171,505	₱5,113,005

Note 3

Summary of Material Accounting Policy Information

The material accounting policies that have been used in the preparation of these financial statements are summarized below. The Association's management chose these policies as they relate to the existing accounts presented in the financial statements. These policies will be expanded as the Association begins commercial operations. Accounting policies related to immaterial transactions or events were no longer disclosed.

Going Concern

The Board of Trustees has at the time of approving the financial statements, a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. Thus, they adopt the going concern basis of accounting in preparing the financial statements.

Financial Instruments

Financial assets and financial liabilities are recognized in the Association's statement of financial position when the Association becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value, except for trade and other receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Although the Association does not have all of the following financial instruments in its financial statements, the policies governing the accounting of these financial instruments are discussed in detail to allow for the proper understanding of the policies governing such financial instruments.

Financial Assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification of Financial assets

Debt instruments that meet the following conditions are measured subsequently at amortized cost: (a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and (b) 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.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI): (a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and (b) 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.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL). Despite the foregoing, the Association may make the following irrevocable election/designation at initial recognition of a financial asset: (a) the Association may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met [see (iii) below]; and (b) the Association may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch [see (iv) below].

Amortized Cost and Effective Interest Method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Association recognizes interest income by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. The calculation does not revert to a gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

The Association's financial assets at amortized costs presently only includes cash and cash equivalents. Cash and cash equivalents are carried in the financial statements at cost. Cash comprise unrestricted cash on hand, deposits held at call with banks, and time deposits with banks that can be pre-terminated anytime without significant risk of change in value. It also include designated cash for insurance premium fund. Cash equivalents (including those invested in trust funds and financial instruments) represent short-term, highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Impairment of Financial Assets

The Association recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost or at FVTOCI, trade and other receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Association always recognizes lifetime ECL (expected credit losses) for trade and receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Association's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Association recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Association measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant Increase in Credit Risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Association compares the risk of a default occurring on the financial instrument at the reporting date with the

risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Association considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Association's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Association's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- Significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost;
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- An actual or expected significant deterioration in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor; and
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Association presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Association has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Association assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if: (1) the financial instrument has a low risk of default; (2) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and (3) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Association considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Association regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of Default

The Association considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable: (1) when there is a breach of financial covenants by the debtor; or (2) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors,

including the Association, in full (without taking into account any collateral held by the Association).

Irrespective of the above analysis, the Association considers that default has occurred when a financial asset is more than 90 days past due unless the Association has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Derecognition of Financial Assets

The Association derecognizes a financial asset only when the contractual rights to the cash flow from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Association neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Association recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Association retains substantially all the risks and rewards of ownership of a transferred financial asset, the Association continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in an equity instrument which the Association has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss but is transferred to retained earnings.

Financial Liabilities and Equity

Classification as Debt or Equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial Liabilities

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Association, are measured in accordance with the specific accounting policies set out below.

Financial Liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) designated as at FVTPL.

A financial liability is classified as held for trading if: (a) it has been acquired principally for the purpose of repurchasing it in the near term; or (b) on initial recognition it is part of a portfolio of identified financial instruments that the Association manages together and has a recent actual pattern of short-term profit-taking; or (c) it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if: (1) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or (2) the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed, and its performance is evaluated on a fair value basis, in accordance with the Association's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or (3) it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognized in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'Investment Income' line item (Note 20) in profit or loss.

However, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

Gains or losses on financial guaranty contracts issued by the Association that are designated by the Association as at FVTPL are recognized in profit or loss. The Association does not have financial liabilities measured at FVPL.

Financial Liabilities Measured Subsequently at Amortized Cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated as at FVTPL, are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

Derecognition of Financial Liabilities

The Association derecognizes financial liabilities when, and only when, the Association's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

When the Association exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Association accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognized in profit or loss as the modification gain or loss within other gains and losses.

Revenue Recognition

Revenue is recognized to the extent that it is probable that economic benefit will flow to the Association and that the revenue can be measured reliably. The Association's revenue recognition policy will be defined in 2025 when it shall have received its secondary license as an MBA from the Insurance Commission (IC) and it will be operating in full. Such policies are expected to be in accordance with PFRS 4 *Insurance Contract* until December 31, 2026 and PFRS 17 *Insurance Contract*, beginning January 1, 2027.

For other sources of revenue, the Association will follow PFRS 15, *Revenue from Contracts with Customers*. These include the interest earned and accrued on investment in debt securities as well as from bank deposits.

Donations Received

The Association receives donations in cash from Surigao Economic Development and Microfinance Foundation, Inc. (SEDMFI) intended to cover the pre-operating expenses of the Association. The Association likewise received a donation from Surigao Economic Development and Microfinance Foundation, Inc. intended for the funding of the Guaranty Fund, a pre-requisite for obtaining the secondary license from the Insurance Commission (IC). These donations were received without any conditions attached to it. In accordance with PAS/IAS 20, the donations received were valued at fair value at the time of receipt and were recognized in income during the period.

Start-Up Costs

The Association recognizes start-up costs in accordance with the provisions of PAS/IAS 38, which provides the recognition of start-up expenditures as expenses unless these expenditures are included in the costs of an item of property and equipment in accordance with PAS/IAS 16. Start-up costs may consist of establishment costs such as legal and secretarial costs incurred in incorporating the entity, expenditure to open a new facility or business (i.e. pre-opening costs) or expenditures for starting new operations or launching new products or processes (i.e. pre-operating costs). In the case of the Association, preoperating costs includes, among others, the cost of applying for the secondary license from the IC and related costs, as well as staff development costs incurred in preparing the technical and administrative skills of the Association's personnel.

Leases

The Association determines whether an arrangement is, or contains a lease based on the substance of the arrangements. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys the right to use the asset. The Association accounts for this lease as follows:

Leases which transfer to the Association substantially all risks and benefits incidental to ownership of the leased item are classified as finance leases and are recognized as assets and liabilities in the statements of financial position at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, at the present value of minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the leased liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are directly charged against income. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases which do not transfer to the Association substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the statement of profit or loss on a straight-line basis over the lease term. The existing leases of all branch offices are treated as operating leases.

The Association, however, is presently enjoying free use of the facilities of Surigao Economic Development and Microfinance Foundation, Inc.

The Association is not a lessor of properties.

Compensation and Employees Benefits Expense

At the end of 2023, the Association did not have any regular employees in its employ. It relies on the manpower extended for free by the Surigao Economic Development and Microfinance Foundation, Inc..

Contingencies

A contingency arises when there is a situation for which the outcome is uncertain, and which should be resolved in the future, possibly creating a loss. The accounting for a contingency is essentially to recognize only those losses that are probable and for which a loss amount can be reasonably estimated. Contingent assets are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable. Contingent liabilities are not recognized either, but these are generally disclosed unless the possibility of an outflow of resources is remote.

Provisions

Provisions are recognized when the Association has a present obligation (legal or constructive) as a result of a past event, it is probable that the Association will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Events After Reporting Date

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

Note 4**Significant Critical Accounting Judgment and Key Sources of Estimation Uncertainty**

In applying the Association's accounting policies, which are described in Note 3, *Summary of Material Accounting Policy Information*, the management of the Association is required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognized and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical Judgements in Applying the Association's Accounting Policies

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the management of the Association have made in the process of applying the accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

Business Model Assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Association determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Association monitors financial assets measured at amortized cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Association's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

Key Sources of Estimation Uncertainty

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

Provision and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision are discussed in Note 3.

Note 5**Cash and Cash Equivalents**

This account consists principally of the following:

<i>December 31</i>	2024	2023
Cash in banks	₱161,914	₱55,364
Revolving Fund	3,000	3,000
	₱164,914	₱58,364

Interest income earned from cash in banks amounted ₱114 in 2024 and ₱453 in 2023.

Note 6**Unused Office Supplies**

This represents the cost of the official receipts (ORs) printed in 2022, which remain unused at the end of 2024 and 2023. The Association anticipates the full use of the ORs beginning 2025.

Note 7**Office Equipment**

Office equipment represents the cost of one (1) unit filing cabinet obtained in October 31, 2024, costing ₱9,500. The Association chose to start the depreciation of the asset by January 1, 2025.

Note 8**Investment in Debt Securities**

This account consists of investment in Land Bank of the Philippines (LBP) in the Bureau of Treasury's National Registry of Scripless Securities (NRoSS) originally invested on June 16, 2023 for 361 days and reinvested by June 11, 2024 for 358 days and maturing on June 4, 2025. The bills have coupon rate of 6.005%.

The roll-forward analysis of the investments follows:

<i>December 31,</i>	2024	2023
Face value	₱5,476,000	₱5,234,000
Premium – net	248,609	239,499
Cost	₱5,227,391	₱4,994,501

Accounts receivable – others represent the charges made by LBP over the Association's acquisition of the treasury bills which, amounting ₱5,499, which was refunded to the Association in 2024. The amount was recognized as a receivable in 2023.

The Association recognized investment income of ₱231,448 in 2024 and ₱104,641 in 2023.

Note 9
Guaranty Fund

This represents the amount required by the Insurance Commission (IC) to be established to guarantee the benefits and security of policyholders and creditors of the Association, in accordance with the provisions of The Amended Insurance Code (R.A. No. 10607). On February 17, 2023, the Association secured a donation from Surigao Economic Development and Microfinance Foundation, Inc. (SEDMFI) amounting to ₱5 million intended to comply with the IC requirements for registering the MBA. The donation was without conditions.

Every member of the Association is required to contribute equivalent to 5% of its weekly premium contribution as its contribution to the Guaranty Fund. (See Note 10.)

The Guaranty Fund is invested in quoted government debt securities held by the Bureau of the Treasury and is restricted in accordance with the policies set forth by the IC. (See Note 8.)

Note 10
Members' Premium Contribution

The Association's application for Basic Life Insurance Plan for Microinsurance has been approved by the IC on August 20, 2024, but the Association has not officially started operations until January 2, 2025.

In accordance with the approved Implementing Rules and Regulations, the Association's members are charged thirty pesos (₱30.00) per week or one thousand four hundred pesos (₱1,400.00) per year, which shall entitle the member for insurance and other benefits.

The Association allocates the contributions as follows:

- (a) 50% is allocated as reserve for members' equity value or termination value and any promised accrued interest earnings on the equity value;
- (b) 30% is intended to cover basic benefits such as payments for natural or accidental death or total and permanent disability claims of a member or its legal spouse, or any of the members' biological and/or 2 legally adopted children who are two weeks old but not more than 21 years old. If single without children, the members' legal dependents include the member's biological parents not more than 65 years old. If single without children, the members' legal dependents include the member's common-law partner who is at least 18 years old but not more than 65 years, and if a member is single and with children, the four (4) biological or legally-adopted children of at least 2 weeks old but not more than 21 years old and chiefly dependent on the member;
- (c) 5% is intended as additional guaranty fund, or if fully complied with as required by law, the allocation for guaranty fund shall be utilized to increase members' benefits or reduce the contrirubion or may be lumped under the General Expense Fund, and
- (d) 15% is intended to cover administrative costs and expenses.

The members will also be charged with one-time membership fee of ₱250, which is non-refundable and does not form part of the members' accumulated and refundable contributions. The amount would be treated as income to finance part of the requirements for general and administrative expenses not covered by the 15% allocation from gross premium contributions.

The members shall also be entitled to an Equity Value equivalent to at least 50% of his/her gross contributions

paid plus interest thereon based on a rate determined by the Association's Board of Trustees. The Equity Value is payable to the member upon termination of his membership, including death and total and permanent disability. The member likewise is entitled to the Equity Value plus interest thereon of his/her gross contributions upon reaching the termination age of 65 years old.

Note 11

Related Party Transactions

In the ordinary course of trade or business, the Association has transactions with its related parties which include its directors, officers, related interests and employees. These transactions were made substantially on the same terms and conditions as with other parties. None of the transactions incorporate special terms and conditions and no guarantee is given or received. Outstanding balances are usually settled in cash. Moreover, the revenue from these related parties are insignificant.

The significant related party transactions are summarized below:

- a) The Association is supported by SEDMFI during the time of its organization in 2022 up to the end of 2024, when the Association is still under preoperating status. Donations received from SEDMFI for operating expenses amounted ₱481,468 in 2024, ₱506,222 in 2023 and ₱79,510 in 2022. Likewise, SEDMFI donated to the Association in 2023 the IC-required Guaranty Fund amounting to ₱5 million. The potential members of the Association are the clients of SEDMFI.
 - b) The Association has no associates, affiliates or joint venture projects.
 - c) At the end of 2024 and 2023, no regular personnel were officially hired. The officers of the Association received no compensation during these periods.
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Note 12

Risk Management Objectives and Policies

The Association is exposed to a variety of financial risks in performing its activities. Its risk management is coordinated by its Board of Trustees and focuses principally on securing short to medium term cash flows by minimizing exposures to financial markets. The Association does not actively engage in the trading of financial assets nor does it write options. It has no significant exposure to foreign currency risks as most transactions are denominated in Philippine peso, its functional currency. It likewise has little exposure to interest rate risk as its loans and receivables have fixed interest rates. Its exposure to credit risk is limited to the carrying amount of financial assets recognized at the reporting period date.

The Association is likewise exposed to liquidity risk, the risk that it will encounter difficulty in meeting its obligation as they become due without incurring unacceptable losses or costs. The Association's objectives to manage its liquidity profile are: (a) to ensure that adequate funding is available at all times; (b) to meet commitments as they arise without incurring unnecessary costs, and (c) to be able to access funding when needed at the least possible cost. The Association manages its liquidity by carefully monitoring its scheduled servicing payments for financial liabilities as well as its cash flows due on its day-to-day business.

Note 13

Events After Reporting Date

There were no events after reporting date that would require disclosures or adjustments on the financial statements of the Association.

Note 14**Approval of Financial Statements**

The financial statements of SEDMFI Mutual Benefit Association Inc. for the period ended December 31, 2024, were authorized for issue by its management on January 27, 2025.

Note 15**Details of Taxes, Licenses and Fees**

<i>December 31</i>	2024	2023
IC licenses and filing fees	P152,900	P45,450
Business permit	5,773	5,043
BIR registration	-	500
Other taxes	231	17,746
	P158,904	P68,739