



CALUSCUSAN'S ACCOUNTING SERVICES
ELMAR C. CALUSCUSAN, CPA, REB
Catapusan Subdivision, D.B. Catapusan St.,
Bantayan, Dumaguete City, Negros Oriental 6200
REGION VII
Tel. No. (035) 422-8655

Accounting and Tax Consultancy
BOA/BIR/CDA/SEC Accredited

STATEMENT OF REPRESENTATION

TO THE COOPERATIVE DEVELOPMENT AUTHORITY:

In connection with my examination of the financial statements of **PHILIPPINE FEDERATION OF CREDIT COOPERATIVES – VISAYAS (PFCCO-VISAYAS)** covering the years ended December 31, 2024 and 2023 that are herewith submitted to the Cooperative Development Authority, I hereby represent the following:

1. That the said financial statements herewith attached are prepared and presented in conformity with the financial reporting standards applicable to cooperatives in the Philippines;
2. That in the conduct of my audit, I adhered to the Philippine Standards on Auditing and the Standard Audit System for Cooperatives (SASC) as required by the Cooperative Development Authority;
3. That I am qualified as provided for in Section 8 of the Code of the Professional Ethics for Certified Public Accountants and Article 81 of R.A. No. 9520 (Cooperative Code of the Philippines);
4. That I am fully aware of my responsibility as an independent auditor, for the audit report issued and the attached to the financial statements and the sanctions to be bestowed on me for any misrepresentations that I may have willingly or unwillingly committed;
5. That I nor any member of my immediate family do not have any direct or indirect financial interest with the federation;
6. That I am not an employee nor an officer of a secondary cooperative or tertiary cooperative of which this federation is a member;
7. That I am not an employee of the Cooperative Development Authority nor have I engaged an employee of the CDA in the course of audit;
8. That I make representation in my individual capacity;
9. That I am a member of PICPA – Negros Oriental Chapter.

ELMAR C. CALUSCUSAN, CPA, REB, REA
CPA Certificate No. 082116
Real Estate Broker Certificate No. 028564
Real Estate Appraiser No. 10615
TIN No. 271-177-046
SEC Accreditation No. 82116-SEC (FS 2019-2023)
BOA Accreditation No. 4479 (30 September 2026)
BIR Accreditation No. AN 12-000011-001-2023, (14 December 2026)
CDA Accreditation No. CEA 0086 (March 13, 2029)
PTR No. 4323880A (07 January 2025)
Dumaguete City

March 3, 2025

PHILIPPINE FEDERATION OF CREDIT COOPERATIVES – VISAYAS (PFCCO-VISAYAS)
86H Hibbard Avenue, Piapi, Dumaguete City
Negros Oriental

**STATEMENT OF MANAGEMENT RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The management of **PHILIPPINE FEDERATION OF CREDIT COOPERATIVES – VISAYAS (PFCCO-VISAYAS)** is responsible for all information and representations contained in the financial statements for the years ended December 31, 2024 and 2023. The financial statements have been prepared in conformity with Financial Reporting Standards applicable to Cooperative in the Philippines and reflect the amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized.

The Board of Directors reviews the financial statements before such statements are approved and submitted to the members of the Cooperative.

Elmar C. Caluscusan, CPA, the independent auditor appointed by the Board of Directors, has examined the financial statements of the federation in accordance with the Philippines Standards on Auditing and the Standard Audit Systems for Cooperatives and has expressed his opinion on the fairness of presentation upon completion of such examination, in his report to the members of the federation.

BOD Chairman: **MILDRED T. UMBAC**

General Manager: **VINCENT T. FAROLE**

Coop Treasurer: **KAIROSLE C. LASTA**

Signed on 3rd day of March, 2025

PHILIPPINE FEDERATION OF CREDIT COOPERATIVES – VISAYAS (PFCCO-VISAYAS)
86H Hibbard Avenue, Piapi, Dumaguete City
Negros Oriental

**STATEMENT OF MANAGEMENT RESPONSIBILITY
FOR ANNUAL INCOME TAX RETURN**

The management of **PHILIPPINE FEDERATION OF CREDIT COOPERATIVES – VISAYAS (PFCCO-VISAYAS)** is responsible for all information and representation contained in the Annual Income Tax Return for the calendar year ended December 31, 2024. 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, ad/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any all other tax returns.

In this regard, the management affirms that the attached audited financial statements for the year ended December 31, 2024 and 2023 and the accompanying Annual Income Tax Return are in accordance with the books and records of **PHILIPPINE FEDERATION OF CREDIT COOPERATIVES – VISAYAS (PFCCO-VISAYAS)** 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 reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;
- (c) **PHILIPPINE FEDERATION OF CREDIT COOPERATIVES – VISAYAS (PFCCO-VISAYAS)** has filed all applicable tax returns, reports and statements required 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.

BOD Chairman: **MILDRED T. UMBAC**

Coop Treasurer: **KAIROSLE C. LASTA**

Signed on 3rd day of March, 2025.



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INDEPENDENT AUDITOR'S REPORT

TO THE BOARD OF DIRECTORS

PHILIPPINE FEDERATION OF CREDIT COOPERATIVES – VISAYAS (PFCCO-VISAYAS)
3RD FLOOR DCCCO BLDG., STA. ROSA ST., DUMAGUETE CITY
NEGROS ORIENTAL

Report on the Audit of the Financial Statements

Opinion

I have audited the financial statements of **PHILIPPINE FEDERATION OF CREDIT COOPERATIVES – VISAYAS (PFCCO-VISAYAS)**, which comprise the statements of financial position as at December 31, 2024 and 2023, statements of comprehensive income, the statements of changes in stockholders' equity and of its statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **PHILIPPINE FEDERATION OF CREDIT COOPERATIVES – VISAYAS (PFCCO-VISAYAS)** as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards for Small Entities (PFRS for ESs).

Basis for Opinion

I conducted my audit in accordance with Philippine Standards on Auditing (PSAs). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. I am independent of the Company in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to my audit of the financial statements in the Philippines, the *Code of Ethics for Professional Accountants in the Philippines (Philippine Code of Ethics)*, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

My responsibility is to express an opinion on the 2024 and 2023 financial statements based on my audits. I conducted my audit in accordance with Philippine Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Report on the Supplementary Information required under Revenue Regulations no. 15-2010

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes, duties and license fees were presented for the purpose of filing with the Bureau of Internal Revenue and is not required part of the basic financial statements. Such information is the sole responsibility of the management since we have no control at the time of their payments. Our audit was conducted only after the payments were made during the year on a monthly and quarterly basis. Queries and suggestions were conducted but final decisions were made by the management. Discussions were conducted that if in case of tax deficiencies, the auditor is not liable in our audit of the basic financial statements. In my opinion, since we were not present during the preparation of monthly and quarterly payments to the Bureau of Internal Revenue, I do not render an opinion whether she/he has paid accurately the taxes applicable thereon.

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC
ACCOUNTANT TO ACCOMPANY INCOME TAX RETURN**

I have examined the financial statements of **PHILIPPINE FEDERATION OF CREDIT COOPERATIVES – VISAYAS (PFCCO-VISAYAS)** for the years ended December 31, 2024 and 2023 on which I have rendered the attached report dated March 3, 2025.

In compliance with Revenue Regulations V-20, I am stating that I am not related by consanguinity or affinity to the management or to the officers of the organization.

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March 3, 2025

PHILIPPINE FEDERATION OF CREDIT COOPERATIVES - VISAYAS

3rd Floor DCCCO Bldg., Sta. Rosa St., Dumaguete City

Negros Oriental

BALANCE SHEET

As of December 31, 2024 and 2023

(Amounts in Philippine Peso)

	<i>Notes</i>	2024	2023
<u>ASSETS</u>			
Current Assets			
Cash and Cash Equivalents	2.7.1, 4	8,621,206.61	8,785,875.52
Loans and Other Current Receivables	2.7.2, 5	5,126,307.11	4,012,481.74
Inventories	2.9, 6	540.00	7,950.00
Differed Charges - MCIT	2.20.2, 7	-	22,050.61
Financial Asset at Cost	2.7.4, 8	63,814.07	63,814.07
Total Current Assets		13,811,867.79	12,892,171.94
NON-CURRENT ASSETS			
Investment in Non-Marketable Equity Securities	2.7.5, 9	20,366,219.58	22,073,219.58
Property Plant and Equipment	2.10, 10	1,429,862.31	196,897.35
Total Non-Current Assets		21,796,081.89	22,270,116.93
TOTAL ASSETS		35,607,949.68	35,162,288.87
<u>LIABILITIES AND FUND BALANCE</u>			
LIABILITIES			
Current Liabilities			
Deposit Liabilities	2.12, 11	1,500,000.00	2,500,000.00
Trade, Non-Trade and Other Payables	2.12, 12	2,340,307.05	1,280,296.39
Income Tax Liability	2.20, 13	10,592.23	36,850.85
Due to APEX	2.13.4, 14	32,716.66	14,511.28
Interest on Share Capital and Patronage Refund Payable	2.13.4, 15	458,033.27	203,157.87
Total Current Liabilities		4,341,649.21	4,034,816.38
NON-CURRENT LIABILITIES			
Retirement Fund Payable	2.17, 16	641,795.93	521,195.93
CETF Subsidy Payable	2.12, 17	5,633,214.42	5,557,065.11
Other Non-Current Liabilities	2.12, 18	13,848,264.83	15,999,810.61
Total Noncurrent Liabilities		20,123,275.18	22,078,071.65
TOTAL LIABILITIES		24,464,924.39	26,112,888.03
<u>MEMBERS' EQUITY</u>			
Share Capital	2.13.1, 19.1	4,090,000.00	3,206,000.00
Deposit for Share Capital Subscription	2.13.2, 19.2	30,763.43	23,605.56
Statutory Fund	2.13.4, 19.4	6,976,240.31	5,773,773.72
Donations and Grants	2.13.3, 19.3	46,021.56	46,021.56
MEMBERS' EQUITY, December 31		11,143,025.30	9,049,400.84
TOTAL LIABILITIES & FUND BALANCE		35,607,949.68	35,162,288.87

(See Accompanying Notes to Financial Statements)

PHILIPPINE FEDERATION OF CREDIT COOPERATIVES - VISAYAS

3rd Floor DCCCO Bldg., Sta. Rosa St., Dumaguete City
Negros Oriental

STATEMENT OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2024 and 2023

(Amounts in Philippine Peso)

	<i>Notes</i>	2024	2023
Income from Service Operations	2.14, 20.1	13,076,796.09	7,059,266.04
Income from Credit Operations	2.14, 20.2	252,500.00	130,000.00
Income from Consumer Operations	2.14, 20.3	-	7,780.00
Other Income	2.14, 20.4	907,730.48	868,312.93
TOTAL INCOME		14,237,026.57	8,065,358.97
COST AND EXPENSES			
Direct Cost	2.15, 21	11,117,941.53	6,222,816.43
Administrative Cost	2.15, 22	2,931,888.35	1,723,491.05
TOTAL ADMINISTRATIVE COST		14,049,829.88	7,946,307.48
NET SURPLUS BEFORE INCOME TAX		187,196.69	119,051.49
Less: Income Tax Expense	2.15, 23	32,642.84	23,810.30
NET SURPLUS AFTER TAX		154,553.85	95,241.19
Add: Income Subjected to Final Tax	2.7.1, 4	499,779.39	194,984.33
TOTAL COMPHREHENSIVE INCOME		654,333.24	290,225.52
ALLOCATION			
General Reserve Fund	10%	65,433.32	29,022.55
Cooperative Education and Training Fund	5%	32,716.66	14,511.28
Due to Apex	5%	32,716.66	14,511.28
Community Development Fund	3%	19,630.00	8,706.77
Optional Fund	7%	45,803.33	20,315.79
Patronage Refund and Interest on Share Capital	70%	458,033.27	203,157.87
TOTAL		654,333.24	290,225.52

(See Accompanying Notes to Financial Statements)

PHILIPPINE FEDERATION OF CREDIT COOPERATIVES - VISAYAS

3rd Floor DCCCO Bldg., Sta. Rosa St., Dumaguete City
Negros Oriental

STATEMENT OF CASH FLOW

For the Years Ended December 31, 2024 and 2023

(Amounts in Philippine Peso)

	<i>Notes</i>	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES	24		
Net Income / (Net Loss)	<i>2.14 - 2.15, 20 -23</i>	654,333.24	290,225.52
Adjustments:			
Depreciation	<i>2.10, 10</i>	151,401.54	40,496.81
Bad Debts Expense	<i>2.7.2, 5</i>	211,362.32	-
Cash operating surplus before changes in working capital		1,017,097.10	330,722.33
Changes in Working Capital:			
Decrease (increase) in:			
Decrease / (Increase) in:			
Loans and Receivables	<i>2.7.2, 5</i>	(1,113,825.37)	(643,863.93)
Inventories	<i>2.9, 6</i>	7,410.00	30,929.46
Deferred Charges - MCIT	<i>2.20.2, 7</i>	22,050.61	(13,040.55)
Financial Asset at Cost	<i>2.7.4, 8</i>	-	-
Increase / (Decrease) in:			
Deposit Liabilities	<i>2.12, 11</i>	(1,000,000.00)	1,000,000.00
Income Tax Liabilities	<i>2.20, 13</i>	(26,258.62)	23,508.49
Remittance to APEX Organization	<i>2.13.4, 14</i>	(14,511.28)	(6,692.00)
Interest on Share Capital and Patronage Refund Payable	<i>2.13.4, 15</i>	(203,157.87)	(93,687.97)
Trade, Non-Trade and Other Payables	<i>2.12, 12</i>	1,060,010.66	67,457.71
CETF Subsidy Payable	<i>2.12, 17</i>	76,149.31	2,095,906.73
Non - Current Liabilities	<i>2.12, 18</i>	(2,350,834.60)	(7,050.50)
Net Changes In Working Capital		(3,542,967.15)	2,453,467.44
Net Cash Flows from (Used In) Operating Activities		(2,525,870.06)	2,784,189.78
INVESTING ACTIVITIES	25		
Investment in Non - Marketable Equity Securities	<i>2.7.5, 9</i>	1,707,000.00	-
Acquisition of Property Plant and Equipment	<i>2.10, 10</i>	(1,396,440.00)	(52,333.00)
Net Cash Flows from (Used In) Investing Activities		310,560.00	(52,333.00)
FINANCING ACTIVITIES	26		
Prior Year Adjustment:		(4,490.51)	-
Increase / (Decrease) in Share Capital	<i>2.13.1, 19.1</i>	884,000.00	618,500.00
Increase / (Decrease) in Deposit for Share Capital Subscription	<i>2.13.2, 19.2</i>	7,157.87	2,686.24
Increase / (Decrease) in Retirement Fund Payable	<i>2.17, 16</i>	120,600.00	88,000.00
Donations and Grants	<i>2.13.3, 19.3</i>	-	-
Net Adjustments of Statutory Funds	<i>2.13.4, 19.4</i>	1,043,373.79	21,341.58
Net Cash Flows from (Used In) Financing Activities		2,050,641.15	730,527.82
NET CASH INFLOWS (OUTFLOWS)		(164,668.91)	3,462,384.60
CASH AND CASH EQUIVALENTS-BEGINNING		8,785,875.52	5,323,490.92
CASH AND CASH EQUIVALENTS-END	<i>2.7.1, 4</i>	8,621,206.61	8,785,875.52

(See Accompanying Notes to Financial Statements)

PHILIPPINE FEDERATION OF CREDIT COOPERATIVES - VISAYAS

3rd Floor DCCCO Bldg., Sta. Rosa St., Dumaguete City
Negros Oriental

STATEMENT OF CHANGES IN MEMBERS' EQUITY

For the Years Ended December 31, 2024 and 2023

(Amounts in Philippine Peso)

	<i>Notes</i>	2024	2023
SHARE CAPITAL	<i>2.13.1, 19.1</i>		
Authorized Share Capital			
Beginning Balance		3,206,000.00	2,587,500.00
Additions / Adjustments		884,000.00	618,500.00
Ending Balance		4,090,000.00	3,206,000.00
DEPOSIT FOR SHARE CAPITAL SUBSCRIPTION	<i>2.13.2, 19.2</i>		
Beginning Balance		23,605.56	20,919.32
Net Change for the Year		7,157.87	2,686.24
Ending Balance		30,763.43	23,605.56
DONATION AND GRANTS	<i>2.13.3, 19.3</i>		
Beginning		46,021.56	46,021.56
Allocations		-	-
Utilizations/Adjustments		-	-
Ending Balance		46,021.56	46,021.56
STATUTORY FUNDS	<i>2.13.4, 19.4</i>		
GENERAL RESERVE FUND			
Beginning		5,716,855.89	5,659,799.76
Allocations		65,433.32	29,022.55
Utilizations/Adjustments		-	28,033.58
Prior Year Adjustments		(4,490.51)	-
Ending Balance		5,777,798.71	5,716,855.89
COOPERATIVE EDUCATION AND TRAININGS FUND			
Beginning		14,511.28	6,692.00
Allocations		32,716.66	14,511.28
Utilizations/Adjustments		-	(6,692.00)
Ending Balance		47,227.94	14,511.28
OPTIONAL FUND			
Beginning		29,684.58	9,368.80
Additions		1,048,373.78	
Allocations		45,803.33	20,315.79
Utilizations/Adjustments		-	-
Ending Balance		1,123,861.69	29,684.58
COMMUNITY DEVELOPMENT FUND			
Beginning		12,721.96	4,015.20
Allocations		19,630.00	8,706.77
Utilizations/Adjustments		(4,999.99)	-
Ending Balance		27,351.97	12,721.96
TOTAL STATUTORY FUNDS		6,976,240.31	5,773,773.72
TOTAL MEMBERS' EQUITY		11,143,025.30	9,049,400.84

(See Accompanying Notes to Financial Statements)

PHILIPPINE FEDERATION OF CREDIT COOPERATIVES – VISAYAS (PFCCO-VISAYAS)
3rd Floor DCCCO Bldg., Sta. Rosa St., Dumaguete City,
Negros Oriental

NOTES TO THE FINANCIAL STATEMENTS

As of December 31, 2024 and 2023
(Amounts in Philippine Pesos)

1. GENERAL INFORMATION

The **PHILIPPINE FEDERATION OF CREDIT COOPERATIVES – VISAYAS (PFCCO-VISAYAS)** was registered as a cooperative pursuant to RA 9520.

The main activity of the cooperative is to provide support to its members such as but not limited to provide educational training, management enhancement programs among others.

The registration of this cooperative was confirmed by the Cooperative Development Authority (CDA) per registration No. 9520-070113858 dated March 22, 2010.

The financial statements of the cooperative for the year ended as of December 31, 2024 and 2023 were authorized for issued by the Board of Directors on March 3, 2025.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Statement of Compliance

The financial statements of the cooperative have been prepared in accordance with the Philippine Financial Reporting Framework for Cooperatives issued by the Cooperative Development Authority (CDA) with full compliance starting in 2016 and thereafter, and the accounting requirements under the laws, rules, regulations and principles promulgated by the Cooperative Development Authority (CDA). The Financial Reporting Framework for Cooperatives was developed from the Philippine Financial Reporting Standards (PFRS) for Small Entities (SEs). Modifications were made on several provisions of the standards taking into considerations cooperative laws, rules, regulations and principles. The PFRSs are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared using the measurement bases specified by the PFRSs applicable to cooperatives in the Philippines taking into consideration the accounting requirements under the law, rules, regulations and principles promulgated by the CDA for each type of assets, liabilities, income, and expense. The measurement bases are more fully described in the accounting policies that follow.

2.2 Basis of Preparation

The financial statements have been prepared under historical cost conventions. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The preparation of the financial statements made use of estimates, assumptions and judgments by management based on management's best knowledge of current and historical facts as at reporting date. These estimates and judgments affect the reported amounts of assets and liabilities and contingent liabilities as at reporting date, as well as affecting the reported income and expenses for the year. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2.3 Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Financial Reporting Framework for Cooperatives, *Financial Statements Presentation*. The statement of financial condition is presented broadly in order of liquidity.

The cooperative presents all items of income and expense in a single statement of financial performance and distribution of net surplus. Income and expense are not offset in the statement of financial performance and distribution of net surplus unless required by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the cooperatives.

As mandated by the Philippine Financial Reporting Framework for Cooperatives, the cooperative presented two comparative periods for the statement of financial position in respect of the previous comparable period for all amounts presented in the current period's financial statements. The cooperative includes comparative information for narrative and descriptive information when it is relevant to an understanding of the current period's financial statements.

2.4 Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the cooperative's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

2.5 Basis of Consolidation

The financial statements are prepared using uniform accounting practices and policies for like transactions and other events in similar circumstances. All significant inter-company transactions and balances including inter-company profits and unrealized profits, have been eliminated in the consolidation.

2.6 Early Adoption of Circular in Issue

Memorandum Circular No. 2016-06 Series of 2016 – Revised Standard Chart of Accounts for Cooperatives, the cooperative has fully adopted this Circular granting that this has a transitory provision that gave cooperatives a transition period of one year from effectivity to make the necessary adjustments on their existing system.

It is expected that the changes made by the cooperative with regard to the early adoption of the Circular would not be expected to have a material effect on the financial statements of the cooperative. They are the following:

- Use of the new account Financial Assets at Fair Value Through Profit or Loss which was previously Investments at Fair Value Through Profit or Loss
- Use of the new account Financial Assets at Cost classified as either Financial Asset at Cost or Financial Asset at Amortized Cost to record investments in non-publicly traded securities

There are no other Circulars, regulations and issuances that has been issued but is not yet effective that would be expected to have a material effect on the financial statements of the cooperative.

2.7 Financial Assets

Financial assets, which are recognized when the cooperative becomes a party to the contractual provisions of the financial instrument includes cash and other financial instruments. These are classified into the following categories: financial asset at fair value through profit or loss (FVTPL), loans and receivables, financial asset at cost, and financial asset at amortized cost. These are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sale of financial assets are recognized on their trade date. The trade date is the date on which the cooperative commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction cost is recognized in profit or loss.

The cooperative has a financial asset at amortized cost. The categories of financial instruments relevant to the cooperative are more fully described below and in the succeeding pages:

2.7.1 Cash and Cash Equivalents

Cash on balance sheets and cash flows include currency or cash items on hand as well as deposits with banks, which are unrestricted and immediately available for use in the current operations. Cash is valued at face value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

2.7.2 Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the federation provides money directly to a member with no intention of trading the receivables. Included in this category are financial assets arising from direct loans to members and all receivables from members and other banks (due from other banks). They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. Loans and receivables are subsequently carried at amortized cost using the effective interest method, less any impairment losses.

2.7.3 Financial Asset at Fair Value Through Profit or Loss

This account refers to financial assets with quoted price in the form of debt or equity securities that are held for trading purposes. As mandated by the Philippine Financial Reporting Framework for Cooperatives, investments in publicly-traded

securities shall be measured at fair value with changes in fair value recognized in profit or loss while investments in non-publicly traded securities, mutual fund and other externally managed funds shall be measured at cost less impairment.

2.7.4 Financial Asset at Cost

This refers to financial assets in the form of equity securities which are not quoted in an active market and are expected to be realized in more than one year from the reporting period (net of impairment).

2.7.5 Financial Asset at Amortized Cost

This refers to financial assets in the form of debt securities which are expected to be realized in more than one year from the reporting period (net of impairment).

All income and expenses, including impairment losses, relating to financial assets that are recognized in profit or loss are presented as part of the finance costs or finance income in the statement of financial performance and distribution of net surplus.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

Derecognition of financial assets occurs when the rights to receive cash flows from the financial instruments expire, or are transferred and substantially all of the risks and rewards of ownership have been transferred, or the cooperative, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

2.8 Impairment of Financial Assets

For assets carried at amortized cost, the federation assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of financial performance. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest determined under the contract. As a practical expedient, the federation may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the statement of financial performance.

For financial assets measured at cost, the federation assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the federation uses the criteria used in assets carried at amortized cost. In the case of equity investments measured at cost, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for financial assets at cost, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on the financial asset previously recognized in profit or loss – is removed from equity and recognized in profit or loss. Impairment losses recognized in the statement of financial performance on equity instruments are not reversed through the statement of financial performance. If, in a subsequent period, the fair value of a debt instrument measured at cost increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the statement of financial performance.

2.9 Inventory

Merchandise inventories are valued at the lower of cost and net realizable value. Cost consists of the purchase price of merchandise inventories determined using the first-in, first-out method.

2.10 Property, Plant and Equipment

Property, plant and equipment, except land, are carried at acquisition cost or construction cost, less accumulated depreciation and amortization and any impairment in value. Land held for use in administration is stated at cost, less any impairment in value.

The cost of an item of property, plant and equipment comprises its purchase price, including legal and brokerage fees, import duties and nonrefundable purchase taxes, after deducting trade discounts and rebates, and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements, and renewals are capitalized while expenditures for repairs and maintenance are charged to expense as incurred. When assets are sold, retired or impairment losses are removed from the accounts, and any resulting gain or loss is reflected in income for the period.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets.

Transportation Equipment	10 years
Office Equipment	3-5 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The residual values and estimated useful lives of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is recognized.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization is credited or charged to current operations. For inventory and control purposes, fully depreciated but still in use assets are retained and listed at Php 1.00 net book values.

2.11 Impairment of Non-Financial Assets

The federation's property, plant and equipment and investment property are subject to impairment testing. Individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment, and some are tested at cash-generating unit level.

Impairment loss is recognized for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is higher than the fair value, reflecting market conditions less costs to sell, and value in use, based on an internal evaluation of discounted cash flow. Impairment loss is charged pro-rata to the other assets in the cash-generating unit.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

2.12 Financial Liabilities

Financial liabilities include deposit liabilities, accounts payable, and other liabilities and other non-current liabilities, which are measured at amortized cost using the effective interest method.

Financial liabilities are recognized when the federation becomes a party to the contractual provisions of the instrument. All interest-related charges are recognized as an expense in the statement of financial performance and distribution of net surplus under the caption "Financing Costs".

Financial liabilities are recognized initially at their value and subsequently measured at amortized cost.

Interest on share capital and patronage refund distributions to shareholders are recognized as financial liabilities when these are approved by the BOD subject to the concurrence of the general assembly.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished through either discharge, cancelation, or expiration.

2.13 Members' Equity

2.13.1 Share Capital

Share capital is determined using the nominal value of shares that have been issued. The share capital is presented as equity as allowed under federation e laws, rules, regulations, and principles. This represents the paid-up share capital of regular members of the Federation and is withdrawable only upon termination of membership. It earns interest depending on the net surplus realized by the Federation but not to exceed the normal rate of return on investment as determined by Cooperative Development Authority (CDA).

2.13.2 Deposit for Share Capital Subscription

Deposit for share capital subscription is the amount paid by the members for capital subscription equivalent to the value of less than one share and additional subscriptions in excess of authorized capital pending approval of the amendments to increase Authorized Share Capital. This may also include the amount of share capital paid but not yet covered by subscription contract.

2.13.3 Donations and Grants

Donations and grants are amounts received by the federation as awards, subsidies, grants, aids, and others. This shall not be available for distribution as interest on share capital and patronage refund, and shall form part of the member's equity of the Statement of Financial Conditions.

2.13.4 Statutory and Other Reserves

Reserves include all current and prior period results and its distribution to different funds, as disclosed in the statement of financial performance and distribution of net surplus.

The federation establishes the statutory reserves in accordance with the provisions of Republic Act No. 9520, An Act Amending the Cooperative Code of the Philippines to be known as the "Philippine Cooperative Code of 2008". The following are the nature of these reserves:

- General Reserve Fund

The General Reserve Fund (GRF) is intended for the stability of the cooperative to meet net losses in its operations. The General Assembly may decrease the amount allocated to GRF when the fund already exceeds the share capital. Such excess may be used at any time, upon the resolution of the General Assembly, for any project that would expand the operations of the cooperative. The fund shall not be utilized for investments other than those allowed by the Cooperative Code. Any sums recovered on items previously charged to the fund shall be credited back to the fund. Upon dissolution of the cooperative, the GRF shall not be distributed to members. The General Assembly may resolve to establish a usufructuary fund for the benefit of any federation or union to which the cooperative is affiliated, and to donate, contribute, or otherwise dispose of the amount for the benefit of the community where the cooperative operates. If the General Assembly cannot decide upon the disposal of the fund, the same shall go to the federation or union to which the cooperative is affiliated.

- Cooperative Education and Training Fund (CETF)

The Cooperative Education and Training Fund (CETF) is intended for the education and training and other purposes of the cooperative.

- Community Development Fund (CDF)

The Cooperative Development Fund (CDF) is set aside for projects or activities that will benefit the community where the cooperative operates. This is used for projects or activities that will benefit the community where the cooperative operates. Half of the allocation of the Fund is remitted to the CETF of the federation or union to which the cooperative is affiliated. Upon dissolution of the cooperative, the unspent balance of the Fund shall be credited to the CETF of the federation or union to which the cooperative is affiliated.

- Optional Fund

Optional Fund is intended either for land and building, community development or any other necessary fund.

2.14 Revenue Recognition

Revenue comprises interest income from loans granted to members. It also includes the rendering of services measured by reference to the fair value of consideration received or receivable by the federation for services rendered.

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that the economic benefits will flow to the federation, and the costs incurred or to be incurred can be measured reliably.

For credit and other federations with lending operations, recognition of revenues is on modified accrual basis, that is, interest income, fines, penalties and surcharges shall be recognized when earned and actually collected.

2.15 Expense Recognition

Expenses are recognized in the statement of financial performance and distribution of net surplus when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably except for the provision for special purpose expenses. As allowed by the Philippine Financial Reporting Framework for Cooperatives and the accounting requirements under the laws, regulations, and principles promulgated by the CDA, certain amount is recognized as expense intended for a special purpose as approved by the BOD. All finance costs are reported in the statement of financial performance and distribution of net surplus on an accrual basis.

2.16 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

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

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

2.16.1 Right-of Used Asset

Initial Measurement

At the commencement date, a lessee recognizes a right-of-use asset and a lease liability.

At the commencement date, a lessee measures the right-of-use asset at cost. The cost of the right- of-use asset comprises:

- (a) the amount of the initial measurement of the lease liability.
- (b) any lease payments made at or before the commencement date, less any lease incentives received.
- (c) any initial direct costs incurred by the lessee; and
- (d) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The lessee incurs the obligation for those costs either at the commencement date or because of having used the underlying asset during a particular period.

Subsequent Measurement

After the commencement date, a lessee measures the right-of-use asset applying a cost model. To apply a cost model, a lessee measures the right-of-use asset at cost:

- (a) less any accumulated depreciation and any accumulated impairment losses; and adjusted for any remeasurement of the lease liability.

2.16.2 Lease Liability

Initial Measurement

At the commencement date, a lessee measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee uses the lessee's incremental borrowing rate.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (a) fixed payments (including in-substance fixed payments, less any lease incentives receivable; Lease payments include any in-substance fixed lease payments. In-substance fixed lease payments are payments that may, in form, contain variability but that, in substance, are unavoidable.
- (b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date; Variable lease payments that depend on an index or a rate include payments linked to a consumer price index, payments linked to a benchmark interest rate or payments that vary to reflect changes in market rental rate
- (c) amounts expected to be payable by the lessee under residual value guarantees.
- (d) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and at the commencement date, a Company assesses whether the lessee is reasonably certain to exercise an option to extend the lease or to purchase the underlying asset, or not to exercise an option to terminate the lease. The Company considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise, or not to exercise, the option, including any expected changes in facts and circumstances from the commencement date until the exercise date of the option.
- (e) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease

Subsequent Measurement

After the commencement date, a lessee shall measure the lease liability by:

- (a) increasing the carrying amount to reflect interest in the lease liability.
- (b) reducing the carrying amount to reflect the lease payments made; and
- (c) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

2.17 Retirement Benefits

The Federation has established a non-contributory retirement program consistent with this of Republic Act 7641, otherwise known as The Philippine Retirement Law.

2.18 Accounts Peculiar to Cooperatives

The following accounts are peculiar to a cooperative due to its nature as well as adherence to cooperative laws, issued policies, rules and regulation, as well as cooperative principles and practices.

2.18.1 Assets

- Cash in Cooperative Federation – This refers to money deposited in the federations to which the cooperatives are affiliated, that is, savings and time deposits which are unrestricted and readily available when needed. These are treated as cash and other cash equivalents.

2.18.2 Liabilities

- Total Deposit Liabilities refer to the total amount of deposits held by primary cooperatives as member of the depreciation (depositors). It is the sum of savings deposit, demand deposit, time certificates of deposit, long-term negotiable certificates of deposit, and negotiable order of withdrawal (NOW) accounts.
- Interest on Share Capital Payable – This refers to liability of the federation to its members for interest on share capital, which can be determined only at the end of every fiscal year.
- Patronage Refund payable – This is the liability of the federation to its members and patrons for patronage refund, which can be determined only at the end of every fiscal year.
- Due to Union/Federation (CETF) – This is an amount set aside for education and training fund of an apex organization, which is 10% of the amount allocated for the Education and Training Fund, by laws and the Cooperative Code. The apex organization may be either a federation or union of which the federation is a member.

2.18.3 Equity

- Donations/Grants – These are the amounts received by the federation as awards, subsidies, grants, aids and others. These shall not be available for distribution as interest on share capital and patronage refund and shall form part of the members' equity of the statement of financial condition.

- Statutory Funds – These are mandatory funds established/set up in accordance with Articles 86 and 87 of the cooperative code. These funds are discussed in Note 2.14.4.

2.18.4 Expenses

- General Assembly Expenses – This includes all expenses incurred in the conduct of regular/special general meeting.
- Members' Benefit – This includes all expenses incurred for the benefit of the members.
- Affiliation Fee – This is an amount incurred to cover membership or registration fees and annual dues to a federation or union.

2.19 Employee Benefits

2.19.1 De Minimis Benefits

Employee benefits refers to benefits given to employees directly involved in providing services other than salaries and wages such as but not limited to 13th month pay, bonus, allowances, and subsistence allowances including human resource development.

To wit; As provided by Revenue Regulations Nos. 2-98, 3-98, and 10-2000, as amended by Revenue Regulations No. 5-2011, the following shall be considered as “de minimis benefits” not subject to income tax, hence, not subject to withholding tax on compensation income of both managerial and rank-and-file employees:

- a. Monetized unused vacation leave credits of employees not exceeding ten (10) days during the year;
- b. Monetized value of vacation and sick leave credits paid to government officials and employees;
- c. Medical cash allowance to dependents of employees, not exceeding P750 per employee per semester or P125 per month;
- d. Rice subsidy of P2,000 or one (1) sack of 50 kg. rice per month amounting to not more than P2,000;
- e. Uniform and Clothing allowance not exceeding P7,000 per annum;
- f. Actual medical assistance, e.g. medical allowance to cover medical and healthcare needs, annual medical/executive check-up, maternity assistance, and routine consultations, not exceeding P10,000.00 per annum;
- g. Laundry allowance not exceeding P300 per month;
- h. Employees achievement awards, e.g., for length of service or safety achievement, in any form, whether in cash, gift certificate or any tangible personal property, with an annual monetary value not exceeding P10,000 received by the employee under an established written plan which does not discriminate in favor of highly paid employees.
- i. Gifts given during Christmas and major anniversary celebrations not exceeding P5,000 per employee per annum;
- j. Daily meal allowance for overtime work and night/graveyard shift not exceeding twenty-five percent (25%) of the basic minimum wage on a per region basis;
- k. Benefits received by an employee by virtue of a collective bargaining agreement (CBA) and productivity incentive schemes provided that the total monetary value received from both CBA and productivity incentive schemes combined do not exceed P 10,000.00 per employee per taxable year.

2.20 Income Taxes

2.20.1 Current tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

2.20.2 Deferred tax

Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the consolidated balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits from excess minimum corporate income tax (MCIT) and unused net operating loss carry over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused NOLCO can be utilized except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each consolidated balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each consolidated balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rate (and tax laws) that have been enacted or substantively enacted at the consolidated balance sheet date. Income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of income.

2.21 Provisions

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognized, if virtually certain as a separate asset, not exceeding the likelihood that an outflow will be required in settlement determined by considering the class of obligations as a whole.

In addition, where time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements.

Possible inflows of economic benefits that do not yet meet the recognition criteria of an asset are considered contingent assets, hence are not recognized in the financial statements.

2.22 Subsequent Events

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

2.23 Prior Year Adjustment

Prior year adjustment is the correction of prior period errors. According to IAS 8 (Accounting policies, changes in accounting estimates, and errors), prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of reliable information.

3. MANAGEMENT SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The federation's financial statements prepared in accordance with the PFRS applicable to cooperatives in the Philippines and the accounting requirements under the laws, rules, regulations and principles promulgated by the CDA require management to make judgments and estimates that affect amounts reported in the financial statements and related notes. 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 circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying the federation's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements:

3.1.1 Operating and Finance Leases

The federation has entered into various lease agreements. Critical judgment was exercised by management to distinguish each lease agreement either as an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

3.1.2 Distinction between Investment Properties and Owner-Managed Properties

The federation determines whether a property qualifies as an investment property. In making its judgment, the federation considers whether the property generates cash flows largely independent of the assets held by an entity.

Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the production or supply process. Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the production and supply of goods and services or for administration purposes. If these portions can be sold separately (or lease out separately under finance lease), the federation accounts for the portions separately. If the portion cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as an investment property. The federation considers each property separately in making its judgment.

3.1.3 Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and disclosure of contingencies are discussed in Note 2.20.

3.2 Key Sources of Estimation Uncertainty

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

3.2.1 Useful Lives of Property and Equipment

The federation estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. The carrying amounts of property and equipment stated in Note 11 are analyzed. Based on management's assessment as of December 31, 2018, there is no change in estimated useful lives of

property and equipment during the year. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned earlier.

3.2.2 Impairment of Non-Financial Assets

The PFRS applicable to cooperatives in the Philippines and the accounting requirements under laws, rules, regulations and principles promulgated by the CDA requires that an impairment review be performed when certain impairment indicators are present. The cooperative's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.11. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Management has assessed that no impairment loss is required to be provided for 2024.

4. CASH AND CASH EQUIVALENTS

This is readily available in the payment of obligations and not be subjected to any restrictions, contractual or otherwise. The balance of this account is composed of the following:

<i>As of December 31,</i>	2024	2023
Petty Cash Fund	10,000.00	10,000.00
Cash in Bank	8,611,206.61	8,775,875.52
Total	8,621,206.61	8,785,875.52

Cash and Cash Equivalent is readily available in the payment of obligations and not be subjected to any restrictions, contractual or otherwise. (See Note 2.7.1)

Petty cash fund refers to a small amount of currency and coins that a company uses to pay small amounts without writing a check. The amount of petty cash (also known as the petty cash fund) varies by company or organization. The federation used imprest system of petty cash fund.

5.1 Cash in Bank

<i>As of December 31</i>	2024	2023
East West - Checking Account	1,008,050.31	676,474.11
DCCCO - Regular Savings	377,046.47	955,381.09
DCCCO - Special Savings	725,576.46	411,648.06
DCCCO- Time Deposits	3,118,808.50	3,966,521.66
CBNO - Savings Account	468,627.62	444,375.39
CBNO - Time Deposits	2,417,985.20	2,321,475.21
BDO Saving/ Checking Account	495,112.05	
Total	8,611,206.61	8,775,875.52

Cash in Bank refers to money deposited in the bank under the name of the federation. Cash in banks earn interest at floating rates based on daily bank deposit rates. Short-term placements are made for varying periods of between one day and three months depending on the immediate cash requirements of the Association, and earn interest at the respective short-term placement rates. It is not restricted and can be withdrawn anytime. The bank interest rate on savings deposit and time deposit in Cooperative Bank of Negros Oriental are 0.75% and 3.5% per annum respectively. The DCCCO time deposit interest is earning 3.25%, DCCO regular savings 1.25% and 0.125% East West Bank (EWB).

Since these assets are not exposed to risks in significant changes in value (e.g., inflation), these are measured at face amount.

5. LOANS AND OTHER CURRENT RECEIVABLE

This account consists as follows:

<i>As of December 31,</i>	2024	2023
Due from Accountable Officers and Staff		-
Loans Receivable - Current	1,822,333.36	624,766.70
Accounts Receivables – Others (<i>See Note 6.1</i>)	3,303,973.75	3,387,715.04
Total	5,126,307.11	4,012,481.74
Allowance for Probable Loans	-	-
Total Loans Receivable - Net	5,126,307.11	4,012,481.74

These accounts refer to financial assets with fixed or determinable payments that are not quoted in an active market.

A receivable is recognized for the difference between the gross receivable and the related unearned interest income. The federation earns 1% interest monthly or 12% annually on its loan receivables

The management has no provision for allowance for probable losses, since there is only one borrower.

5.1 Accounts Receivables – Others

<i>As of December 31,</i>	2024	2023
PFCCO National (KAYA)	2,959,072.46	3,170,434.78
Other Receivables	344,901.29	217,280.26
Total	3,303,973.75	3,387,715.04

Account Receivable to PFCCO National refers to the receivable from the first contract (591,814.49) from KAYA, an online payment platform plus, (2,367,257.97) for the second contract.

Other receivables are accounts collectible by the federation to its primary members.

6. INVENTORY

This account consists as follows:

<i>As of December 31,</i>	2024	2023
Unused Supplies and Publication Inventory	-	-
National Integration Shirts	-	2,100.00
Coop Pins	540.00	5,850.00
Cacha Bags	-	-
National ID Sling and Case	-	-
Total	540.00	7,950.00

Inventory refers to the goods and materials held by a business for the purpose of resale. No impairment is required to be provided for this account during the years 2024.

7. DEFERED CHARGES – MCIT

<i>As of December 31</i>	2024	2023
Beginning	22,050.61	9,010.06
Current Provision		13,040.55
Utilization	(22,050.61)	-
Total	-	22,050.61

This is the excess of MCIT over RCIT for the current and previous year. The excess of MCIT over RCIT was used against the income tax due during the year. Any excess of MCIT over NCIT can be carried forward as deduction to the normal income tax for three (3) immediately succeeding taxable year (*See Note 13*). As of 2024, MCIT was offset to the regular income tax.

8. FINANCIAL ASSETS

This account consists as follows:

<i>As of December 31,</i>	2024	2023
Financial Asset at Cost	63,814.07	63,814.07
Total	63,814.07	63,814.07

This account refers to the investments by the federation in Mindanao League earning an interest income of 5% per annum. No provision for impairment loss is required to be provided during the year.

9. INVESTMENT IN NON-MARKETABLE EQUITY SECURITIES

This account consists as follows:

<i>As of December 31,</i>	2024	2023
PFFCO - National (Share Capital)	840,000.00	735,000.00
Cooperative Bank of Negros Oriental	1,494,000.00	1,306,000.00
Kaya Payment Platform	17,999,759.69	19,999,759.69
Metro South Cooperative Bank	32,459.89	32,459.89
Total	20,366,219.58	22,073,219.58

This account refers to assets that are not classified as investments, property, plant and equipment, or intangible assets.

The investment in PFFCO – National and Cooperative Bank of Negros Oriental refers to share capital, which the PFFCO has an increased of P105,000.00 in the year end 2024.

KAYA Payment Platform an accumulated Investment made for a mobile Payment Platform for digitization of the primary cooperatives which in partnership with National Confederation of Cooperatives (NATCCO). The KAYA Payment Platform was paid previous amounting 19,999,759.69.

Metro Manila South Bank investment are in a form of share capital. For the year ended December 31, 2024 no dividend was declared.

These are restricted funds set aside for funding of Statutory and other reserves such as Retirement, Members Benefit and Other Funds. No provision for impairment loss is required to be provided during the year for this account.

10. PROPERTY, PLANT AND EQUIPMENT

The balance of this account is composed of the following:

2024	Beginning balances January 1, 2024	Transactions during the year		Ending Balances December 31, 2024
		Additions	Disposals	
COST				
Furniture and Fixtures and Office Equipment	441,076.03	61,741.00		502,817.03
Transportation Equipment	18,750.00	1,334,700.00	18,750.00	1,334,700.00
TOTAL COST	459,826.03	1,396,441.00	18,750.00	1,837,517.03
ACCUMULATED DEPRECIATION				
Furniture and Fixtures and Office Equipment	256,253.18	17,931.54	-	274,184.72
Transportation Equipment	18,749.00	133,470.00	18,749.00	133,470.00
TOTAL ACCUMULATED DEPRECIATION	275,002.18	151,401.54	18,749.00	407,654.72
NET BOOK VALUE	184,823.85			1,429,862.31

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets starting from the following month after the month of acquisition. The useful lives and depreciation method are reviewed periodically to ensure that the periods and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment. (See Note 2.10)

During the year, there was an acquisition of furniture, fixtures, and office equipment totaling Php 61,741.00, along with an additional purchase of transportation equipment amounting to Php 1,334,700. Additionally, there were disposals of assets worth Php 18,750 due to the sale of fully depreciated transportation equipment. The management has assessed that no provision for impairment loss is required to be provided in 2024.

11. DEPOSIT LIABILITIES

This account is composed of the following

<i>As of December 31,</i>	2024	2023
Time Deposits	1,500,000.00	2,500,000.00
Total	1,500,000.00	2,500,000.00

Refers to deposits made by the members for a specified period of time and withdrawable at a predetermined date. As of December 31, 2024 total time deposit is Php 1,500,000.00. The decrease in time deposits is due to withdrawals, maturity of deposits.

12. TRADE, NON-TRADE AND OTHER PAYABLES

This account is composed of the following:

<i>As of December 31</i>	2024	2023
Accounts Payable - Others	1,018,335.79	689,919.35
Withholding Tax Payable	6,727.53	3,666.66
Accrued Interest	46,321.92	97,815.06
SSS/Philhealth/Pag-ibig Payable	13,057.69	9,935.19
SSS/Philhealth Loans Payable	5,049.19	5,049.19
Accrued Expenses	15,000.00	180,302.63
Retirement Fund Payable - Current		-
Unearned Revenue	338,109.42	200.00
Due to Paramount Insurance	897,705.51	293,408.31
Total	2,340,307.05	1,280,296.39

These are liabilities incurred by the federation that arise from the ordinary course of its operations.

The **Accounts Payables – Others** are composed of different funds such as unused insurance premiums from Paramount, and unknown depositors from made by the primary cooperatives.

Withholding tax payable comprises withholding from compensation and the retirement benefits prescribed by law to be remitted to the next accounting period.

Accrued interest refers to the interest of the time deposit made by NEMCO.

Accrued expenses refer to the for professional and consultancy fee for the financial audit for the calendar year 2024.

Due to paramount remittable premiums, loan protection and life insurance (DAMAYAN) are availed by the members that are in possession by the federation.

Other items that is currently due by the federation for the service rendered by its employees' operations are listed above specifically the mandatory contributions.

The above-mentioned liabilities under this account are non-interest bearing.

13. INCOME TAX PAYABLE

This account is computed as follows:

<i>As of December 31.</i>	2024	2023
Gross Income	1,517,827.16	1,842,542.54
MCIT Rate	2%	2.00%
Minimum Corporate Income Tax	30,356.54	36,850.85
Net Taxable Income	130,571.37	119,051.49
Regular Corporate Income Tax Rate	25%	20%
Regular Corporate Income Tax	32,642.84	23,810.30
Income Tax Due (higher of MCIT and Regular Corporate Income Tax)	32,642.84	36,850.85
Less: Prepaid Income Tax	-	-
Less: Deferred Charges-MCIT	22,050.61	
Payment from previous quarters (1702Q)		-
Net Income Tax Payable	10,592.23	36,850.85

The cooperative is tax same as a corporation since the cooperative has no tax exemption certificate.

This account represents the amount payable during the year and it will be remitted to the BIR upon filing of Income Tax Return. This return is filed on or before April 15 of each year covering income for the preceding taxable year.

On April 8, 2021, the Bureau of Internal Revenue issued Revenue Regulation No.5-2021, otherwise known as “Implementing the New Income Tax Rates on the Regular Income of Corporations, on Certain Passive Incomes, Including Additional Allowable Deductions from Gross Income of Persons Engaged in Business or Practice of Profession Pursuant to Republic Act (RA) No. 11534 or the “*Corporate Recovery and Tax Incentives for Enterprises Act*” (CREATE), Which Further Amended the National Internal Revenue Code (NIRC) of 1997”, which prescribes new Regular Corporate Income Tax and Minimum Corporate Income Tax as follows:

- a. Change in the Regular Corporate Income Tax Rates from 30% to 25% or 20% for Domestic Corporations, in general, starting July 1, 2020 and onwards and;
- b. Change in the Minimum Corporate Income Tax Rates from 2% to 1% for Domestic Corporations, starting July 1, 2020 and onwards.

The taxpayer opted to use the 25% Regular Corporate Income Tax Rate and 2% Minimum Corporate Income Tax Rate.

On October 10, 2007, the Bureau of Internal Revenue issued Revenue Regulation No.12-2007, which amended the timing of the calculation and payment of MCIT from an annual basis to a quarterly basis, i.e., excess MCIT from a previous quarter during the current taxable year may be applied against subsequent quarterly or current annual income tax due, whether MCIT or RCIT. However, excess MCIT from the previous taxable year/s are not creditable against MCIT due for a subsequent quarter and are only creditable against quarterly and annual RCIT.

This is a non-interest-bearing liability, unless paid delinquently.

14. DUE TO APEX

<i>As of December</i>	2024	2023
Beginning	14,511.28	6,692.00
Current Provision	32,716.66	14,511.28
Payment	(14,511.28)	(6,692.00)
Total	32,716.66	14,511.28

This account represents the accumulated amount set aside to be credited to the Union/Federation where the cooperative is a member. The allocation to this account is equivalent to 5% of the annual net surplus of the cooperative. For the previous quarter no provision for this amount since the federation incurred three consecutive losses for its operation.

This is a non-interest-bearing liability of the cooperative.

15. INTEREST ON SHARE CAPITAL PAYABLE AND PATRONAGE REFUND PAYABLE

<i>As of December 31</i>	2024	2023
Beginning	203,157.87	93,687.97
Current Provision	458,033.27	203,157.87
Payment	(203,157.87)	(93,687.97)
Total	458,033.27	203,157.87

The Interest on Share Capital Payable refers to the liability to members for interest on share capital, which can only be determined at the end of the fiscal year. The federation's articles of Cooperation and By-Laws explicitly provide that thirty-five (35%) of the net surplus of the Federation goes to the Interest on Share Capital Payable account.

The Patronage Refund Payable account refers to the liability to members for patronage refund which can be determined at the end of the fiscal year. The federation's articles of Cooperation and By-Laws explicitly provide that thirty-five (35%) of the net surplus of the Federation goes to the Patronage Refund Payable account.

The interest on share capital and patronage refund payable for the current year 2024 is P458,033.27, this amount is equally divided.

This is a non-interest-bearing liability of the cooperative.

16. RETIREMENT FUND PAYABLE

<i>AS of December 31</i>	2024	2023
Retirement Fund Payable	641,795.93	521,195.93
Total	641,795.93	521,195.93

This account refers to the accumulated retirement benefit costs charged against the income of the federation over the expected remaining working lives of participating qualified employees. This a non-interest-bearing liability.

The federation obtained an actuarial valuation of its employee's retirement benefits, which is required to be computed using the projected unit credit method under PFRS applicable to federation in the Philippines and the accounting requirements under the laws, rules, regulations and principles promulgated by the CDA.

As of the December 2024, there was an increased in the retirement fund payable with of P120,600.00.

17. CETF SUBSIDY PAYABLE

<i>As of December 31</i>	2024	2023
CETF Subsidy Payable - National	-	-
CETF Subsidy Payable - Primaries	5,633,214.42	5,557,065.11
Total	5,633,214.42	5,557,065.11

This refers to the account title used in recording receipts of CETF from affiliates/ non-affiliates by a Federation per CDA Memorandum Circular No. 2019-08, series of 2019.

CETF Subsidy Payable – National are CETF subsidy to be remitted by the federation as member owner of the PFCCO National.

CETF Subsidy Payable – Primaries are subsidy that are not yet utilized by the primary members.

18. OTHER NON-CURRENT LIABILITIES

<i>As of December 31</i>	2024	2023
Calamity Fund Payable	78,500.00	98,500.00
CoopBase Fund Payable	161,644.72	281,190.50
Phil. Coop Central Fund Payable	-	12,000.00
NATCCO	13,608,120.11	15,608,120.11
Total	13,848,264.83	15,999,810.61

Calamity Fund Payable refers to the to the fund contributed by the primary cooperatives or funded for calamity purposes.

CoopBase Fund Payable are amount collected from Monthly Subscription and Implementation fee to the Coopbase Accounting System users.

Phil. Coop Central Fund Payable are payable for the purchased last Coop-pins.

The **NATCCO payable** is the assumed payment of NATCCO in behalf of the federation in partnership in the investment in Kaya Payment Platform see note 9.

19. MEMBER'S EQUITY

19.1 PAID UP SHARE CAPITAL

The federation has an authorized share capital of 15,000 shares at P1000 par value (P15,000,000). The beginning balance of the paid – up capital was composed of 2,408 shares (P2,408,000.00). During the year, an additional 884 shares were issued. The paid-up capital balance as of December 31, 2024 is P4,090,000.00, which is composed of 4,090 shares at P1000 par value per share.

19.2 DEPOSIT FOR SHARE SUBSCRIPTION

This account refers to amount paid by the members for capital subscription equivalent to value of less than one share and additional subscriptions in excess of authorized capital pending approval of the amendments to increase Authorized Share Capital. This may also include the amount of share capital paid but not yet covered by a subscription contract.

19.3 DONATION/ GRANTS

CDA has embarked on a program to provide financial assistance/grant to federations needing special assistance to recover from the onslaught of pandemic, disaster and other adversities they have encountered and alleviate their plight to continue serving their members.

19.4 STATUTORY FUNDS

These are reserve and mandatory funds set-up or established in accordance with Articles 86 and 87 of the cooperative code of the Philippines.

<i>For the Year Ended December 31</i>	2024	2023
General Fund Reserved	5,777,798.71	5,716,855.89
Optional Fund	1,123,861.69	29,684.58
Community Development Fund	27,351.97	12,721.96
Cooperative Education and Training Fund	47,227.94	14,511.28
Total	6,976,240.31	5,773,773.72

Allocation and Distribution of Net Surplus

As defined under the Philippine Cooperative Code, net surplus shall not be construed as profit but as an excess of payments made by the members for the loans borrowed, or the goods and services availed by them from the federation or the difference of the rightful amount due to the members for their products sold or services rendered to the federation including other inflows of assets resulting from its other operating activities and which shall be deemed to have been returned to them if the same is distributed as prescribed.

The Cooperative Development Authority has approved the amendments to the Cooperative's Articles and By-Laws. Included in such amendment is the distribution of the Net Surplus which shall now be made as follows:

- General Reserve Fund (GRF)*. Ten percent (10%) of the net surplus of the federation shall be set aside as GRF to be used for the stability of the federation and met net losses in operations;
- Cooperative Education and Training Fund (CETF)*. Ten percent (10%) of the net surplus of the cooperative goes to the cooperative Education and Training Fund. The amount transferred to the education and training fund annually under this subscription may be spent by the federation for education and training and for other purposes.
- Community Development Fund*. Three percent (3%) of the net surplus of the federation goes to Community Development Fund.
- Optional Fund*. Seven percent (7%) of the net surplus of the federation goes to the Optional Fund.

- e) *Interest on Share Capital and Patronage Refund.* The remainder of the net surplus after deducting the statutory funds shall be made available to the members in the form of interest on share capital not to exceed the normal rate of return on investments as prescribed by the CDA and patronage refunds. The sum allocated for patronage refund shall be made available at the same rate to all patrons of the federation in proportion to their individual patronages.

20. REVENUES

This account consists as follows:

<i>For the Year Ended December 31</i>	2024	2023
Income from Service Operations (<i>See Note 21.1</i>)	13,076,796.09	7,059,266.04
Income from Credit Operations (<i>See Note 21.2</i>)	252,500.00	130,000.00
Income from Consumer Operations (<i>See Note 21.3</i>)	-	7,780.00
Other Income (<i>See Note 21.4</i>)	907,730.48	868,312.93
Total	14,237,026.57	8,065,358.97

20.1 INCOME FROM SERVICE OPERATIONS

<i>For the Years Ended December 31</i>	2024	2023
Service Income	248,163.94	477,142.58
CETF Subsidy	12,828,632.15	6,582,123.46
Total	13,076,796.09	7,059,266.04

Service Incentives or service income refers to the 10% percent share of the federation from the amount of insurance remitted by the members availed the Loan Protection Plan and Damayan (Group Insurance) which ninety (90%) is remitted to Paramount Life & General Insurance Corporation.

20.2 INCOME FROM CREDIT OPERATIONS

This account consists as follows:

<i>For the Years Ended December 31</i>	2024	2023
Interest Income from Loans	127,500.00	55,000.00
Service Fees	125,000.00	75,000.00
Total	252,500.00	130,000.00

Interest income on loans account refers to income earned and collected by the federation from the interest charged on the loans granted to their members.

Service Fees and Filling Fees account refers to the fees collected by the federation for loan processing / servicing / collecting. Fines, penalties and surcharges account refers to the fees imposed and collected by the federation on the delayed amortization payments of the member-borrower. The federation has no tax exemption certificate which did not exempt it from income tax.

20.3 INCOME FROM CONSUMER OPERATIONS

<i>For the Years Ended December 31</i>	2024	2023
Sales	-	12,568.00
Less: Cost of Sales		
Supplies and Publication	-	4,788.00
Total	-	7,780.00

This operation implied refers to the sales of books such as RA 9520 (Cooperative Code of the Philippines) and Philippine Financial Reporting Standards (PFRS), Ledgers, passbooks, and etc.

20.4 OTHER INCOME

This account consists as follows:

<i>For the Year Ended December 31</i>	2024	2023
Annual Dues	183,065.00	123,605.00
Trainings and Seminar Registration Fees	637,200.00	723,325.00
Membership Fees	6,000.00	6,000.00
Miscellaneous Income	81,465.48	15,382.93
Total	907,730.48	868,312.93

Annual Dues are collected as follows:

- Micro Coops (Assets of P3M and below) – P5.00 per Member in Good Standing (MIGS) but not less than P1,500.00.
- Small Coops (Assets of over P3M up to P15M) – P5.00 per Member in Good Standing (MIGS) but not less than P5, 000.00.
- Medium Coops (Assets of over P15M up to P100M) – P5.00/Member in Good Standing but not less than P16,000.00
- Large Coops (Assets of over P100M) – P5.00 per Member in Good Standing but not to exceed P54,000.00

Membership fee refers to the amount paid by prospective members of the federation.

Training and seminars refer to the income earned in the conduct of training and seminars.

The **miscellaneous income** account refers to all other income earned by the federation for which no specific account has been set up.

21. DIRECT COST

This consists the following:

<i>For the Year Ended December 31</i>	2024	2023
Salaries and Wages	1,034,952.27	950,145.69
SSS/Philhealth/Pag-ibig Contribution	119,552.50	104,209.83
Retirement Benefit Expenses	120,600.00	88,000.00
Employee Benefits	418,222.70	474,017.19
Communications	86,165.36	64,146.24
Interest Expense on Deposits	57,030.83	116,636.98
CETF Remittance (PFCCO National)	-	165,302.63
CETF Subsidized Expense	7,487,522.44	2,625,868.66
Cost of Service	422,515.91	921,248.32
Travel and Transportation	16,595.40	9,526.80
Trainings and Seminars	1,049,185.96	584,466.14
Miscellaneous Expense	305,598.15	119,247.95
Total	11,117,941.53	6,222,816.43

22. ADMINISTRATIVE COST

This account consists as follows:

<i>For the Year Ended December 31</i>	2024	2023
Salaries and Wages (<i>See Note 23.1</i>)	182,638.64	287,672.77
Employee Benefits (<i>See Note 23.2</i>)	73,804.01	83,650.09
SSS/Philhealth/Pag-ibig Contribution	21,097.50	18,389.97
Honorarium	120,000.00	
Power, Light and Water	153,731.31	217,470.00
Office Supplies	68,636.65	32,698.20
Communications	9,573.93	7,127.36
Advertising and Promotion (<i>See Note 23.4</i>)	7,447.00	14,720.00
Insurance	2,528.50	-
Representation Expense	60,000.00	
CETF Remittance (PFCCO National)		-
Social and Community Service Expenses	69,504.75	115,538.60
General Support Services	400.00	-
Repairs and Maintenance (<i>See Note 23.3</i>)	13,227.50	1,000.00
Rent Expense	30,000.00	
Depreciation	151,401.54	40,496.81
Taxes, Fees and Charges (<i>See Note 23.5</i>)	31,570.00	40,980.00
Professional Fees	15,000.00	15,000.00
Bank Charges	900.00	500.00
Gas and Lubricants	11,000.00	567.00
Travel and Transportation	2,928.60	1,681.20
Meetings and Conferences	551,957.55	597,184.55
Support Dues/Affiliations	347,739.39	63,625.52
General Assembly Expenses	736,762.82	150,000.00
Annual Dues	24,721.00	
Bad Debts Expense	211,362.32	
Impairment Loss - Inventory	-	21,939.21
Retirement Benefit Expenses	-	-
Miscellaneous Expense (<i>See Note 23.6</i>)	33,955.35	13,249.77
Total	2,931,888.35	1,723,491.05

Administrative costs are expenses associated with the maintenance and administration of the cooperative on a day-to-day basis.

23.1 Salaries and Wages

Salaries, Wages and Allowances account represent the regular payment to the employees who are minimum wage earner.

23.2 Employee Benefits

Employees Benefits is composed of medical allowance, rice allowance, uniform allowance, bonus and 13th month pay.

23.3 Repairs and Maintenance

Repairs and maintenance account refers to materials used in the repair and maintenance of the facilities and certain fixed assets of the cooperative. This includes paints, spare parts, materials, and other minor expenditures that do not prolong the life of the asset.

23.4 Advertising and Promotion

This includes expenses from coop visits and promotion of KAYA.

23.5 Taxes and Licenses

Taxes and licenses account represent the payment of the cooperative for local taxes and permits the cooperative is required to pay.

23.6 Miscellaneous Expenses

Miscellaneous Expenses refer to the ones incurred by the association not classified under any of the specified expenses account.

23. INCOME SUBJECT TO FINAL TAX

<i>As of December 31</i>	2024	2023
Interest Income	499,779.39	194,984.33
Total	499,779.39	194,984.33

This account refers to the interest income from bank deposits that already net of withholding tax from Eastwest and CBNO. (See note 4)

24. CASH FLOW FROM OPERATING ACTIVITIES

Cash from operating activities is a section of the cash flow statement that provides information regarding the cash generating abilities of the federation's ordinary business activities. The federation uses the indirect method of presenting the flow from its operating activities showing the changes in current assets and liabilities and eliminating non-cash transactions affecting the operations.

25. CASH FLOW FROM INVESTING ACTIVITIES

Investing activities section in the cash flow statement shows the changes in financial assets, acquisition and disposition of property, plant and equipment, investment properties and other non-current assets. For the current year, the company has an investing activity amounting to Php **1,396,441.00** for the addition of the equipment to be use in the operation. (See Note 10).

26. CASH FLOW FROM FINANCING ACITIVITIES

Cash flows from financing activities section in the cash flow statement shows the changes in cash involved in its source of fund. The changes of its long-term liabilities, share capital, general reserve fund, education and training fund, community development fund, optional fund, and other funds are being presented in this section.

27. RELATED PARTY TRANSACTIONS

Parties are considered related if on party has the ability, directly or indirectly, to control the other party or exercise significant influence over the party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or significant influence. Related parties may be individuals or affiliates entities. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

There were no related party transactions made by the federation for the years ended December 31, 2024 that would require disclosure on the financial statements.

28. CAPITAL MANAGEMENT OBJECTIVES, POLICIES, AND PROCEDURES

The federation's capital management objectives are to ensure the federation's ability to continue as going concern and to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk. The federation monitor's capital on the basis of the carrying amount of equity as presented on the face of the statements of financial position.

Total Liabilities	24,464,924.39	26,112,888.03
Total Equity	11,143,025.30	9,049,400.84
Debt-to-Equity Ratios	2.20 : 1.00	2.89 : 1.00

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The federation is exposed to a variety of financial risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk. Its risk and control framework include a focus on minimizing negative effects on the federation's financial performance due to unpredictability of financial markets that drives the risks.

The cooperative does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the federation is exposed to are described below and the succeeding pages:

Market Risk

Market risk, also known as systematic risk, refers to the uncertainty associated with any investment decision. Price volatility often arises due to unanticipated fluctuations in factors that commonly affect the entire financial market. During the pandemic there was an increase in market risks for the cooperative's operations such as the following risks:

Interest Rate Risk

A financial instrument's or investment's value could be adversely affected by changes in interest rates, which is known as interest rate risk. Bonds and other fixed-income assets with fixed interest rates are especially vulnerable to this risk. These securities' values are subject to fluctuations in interest rates, which can have an impact on investors' returns.

For businesses, financial institutions, and investors alike, managing interest rate risk is essential. Diversification, the use of floating-rate assets, and the use of interest rate derivatives like interest rate swaps are methods for reducing interest rate risk.

The Central Bank of the Philippines lowered its benchmark interest rate by 25 basis points to 5.75% during its December 2024 policy meeting, marking the third consecutive rate cut and meeting market expectations. Recent data showed that the country's annual inflation rate rose to a three-month high of 2.5% in November 2024, up from 2.3% in the previous month and in line with market expectations. Inflation is projected to remain within the target range over the policy horizon, with a slight upward revision in the 2025 forecast to 3.4% from 3.3%, while the 2026 estimate remains steady at 3.7%.

Currency Risk

Currency risk, often known as exchange rate risk, is the risk that foreign investors or businesses operating internationally face in terms of erratic profits or losses resulting from fluctuations in the value of one currency relative to another. The Philippine Peso has so far in 2023 stayed at rather stable levels. But as interest rates rise and the trade gap widens, weakness may continue, which could harm consumer demand and GDP prospects when paired with growing inflation. According to a study released on March 7 by the Philippine Statistics Authority, the country's headline inflation rate decreased slightly from 8.7% in January 2023 to 8.6% in February 2023 due to a slowdown in the price hikes of some food items and energy.

In order to combat inflation, the Philippine central bank raised its benchmark interest rate by 25 basis points to 6.25% in March. However, the bank stated that its next course of action will primarily depend on how consumer prices perform in the upcoming months. The peso is one of the worst-performing currencies in the area, and the Philippines has had one of the fastest rates of inflation in Southeast Asia, at 8.7%.

Country Risk

Many macro variables that are outside the control of a financial market can impact the level of return due to an investment. They include the degree of political stability, level of fiscal deficit, proneness to natural disasters, regulatory environment, ease of doing business, etc. The degree of risk associated with such factors must be taken into consideration while making an international investment decision.

30. SUPPLEMENTARY INFORMATION REQUIRED BY REVENUE REGULATIONS NO. 19-2011

On December 9, 2011, RR No. 19-2011 became effective where it prescribes the new income tax forms to be used effective December 31, 2011. The Company is now required to include as part of the notes to financial statements the schedules and information on taxable income and deductions.

Below is the additional information required by RR No. 19-2011. This information is presented for purposes of filing with the BIR and is not required part of the basic financial statements.

a. The revenue is composed of the following:

<i>For the Year Ended December 31</i>	2024	2023
Income from Service Operations (<i>See Note 21.1</i>)	13,076,796.09	7,059,266.04
Income from Credit Operations (<i>See Note 21.2</i>)	252,500.00	130,000.00
Income from Consumer Operations (<i>See Note 21.3</i>)	-	7,780.00
Other Income (<i>See Note 21.4</i>)	907,730.48	868,312.93
Total	14,237,026.57	8,065,358.97

b. Direct cost is composed of the following:

<i>For the Year Ended December 31</i>	2024	2023
Salaries and Wages	1,034,952.27	950,145.69
SSS/Philhealth/Pag-ibig Contribution	119,552.50	104,209.83
Retirement Benefit Expenses	120,600.00	88,000.00
Employee Benefits	418,222.70	474,017.19
Communications	86,165.36	64,146.24
Interest Expense on Deposits	57,030.83	116,636.98
CETF Remittance (PFCCO National)	-	165,302.63
CETF Subsidized Expense	7,487,522.44	2,625,868.66
Cost of Service	422,515.91	921,248.32
Travel and Transportation	16,595.40	9,526.80
Trainings and Seminars	1,049,185.96	584,466.14
Miscellaneous Expense	305,598.15	119,247.95
Total	11,117,941.53	6,222,816.43

c. The itemized expenses (allowable deductions) for the period ended comprises of the following:

<i>For the Year Ended December 31</i>	2024	2023
Salaries and Wages (<i>See Note 23.1</i>)	182,638.64	287,672.77
Employee Benefits (<i>See Note 23.2</i>)	73,804.01	83,650.09
SSS/Philhealth/Pag-ibig Contribution	21,097.50	18,389.97
Honorarium	120,000.00	
Power, Light and Water	153,731.31	217,470.00
Office Supplies	68,636.65	32,698.20
Communications	9,573.93	7,127.36
Advertising and Promotion (<i>See Note 23.4</i>)	7,447.00	14,720.00
Insurance	2,528.50	-
Representation Expense	60,000.00	
CETF Remittance (PFCCO National)	-	-
Social and Community Service Expenses	69,504.75	115,538.60
General Support Services	400.00	-
Repairs and Maintenance (<i>See Note 23.3</i>)	13,227.50	1,000.00
Rent Expense	30,000.00	
Depreciation	151,401.54	40,496.81
Taxes, Fees and Charges (<i>See Note 23.5</i>)	31,570.00	40,980.00
Professional Fees	15,000.00	15,000.00
Bank Charges	900.00	500.00
Gas and Lubricants	11,000.00	567.00
Travel and Transportation	2,928.60	1,681.20
Meetings and Conferences	551,957.55	597,184.55
Support Dues/Affiliations	347,739.39	63,625.52
General Assembly Expenses	736,762.82	150,000.00
Annual Dues	24,721.00	
Bad Debts Expense	211,362.32	
Impairment Loss - Inventory	-	21,939.21
Retirement Benefit Expenses	-	-
Miscellaneous Expense (<i>See Note 23.6</i>)	33,955.35	13,249.77
Total	2,931,888.35	1,723,491.05

PHILIPPINE FEDERATION OF CREDIT COOPERATIVES - VISAYAS

3rd Floor DCCCO Bldg., Sta. Rosa St., Dumaguete City

Negros Oriental

OTHER DOCUMENTS TO BE FILED WITH FINANCIAL STATEMENTS

(Amounts in Philippine Pesos)

		FINANCIAL RATIOS	
		2024	2023
a)	Current Assets	13,811,867.79	12,892,171.94
	Current Liabilities	4,341,649.21	4,034,816.38
	Current Ratios	3.18 : 1.00	3.20 : 1.00
b)	Net Income After Tax + Depreciation	805,734.78	330,722.33
	Short-term Liabilities	4,341,649.21	4,034,816.38
	Solvency Ratios	0.19 : 1.00	0.08 : 1.00
c)	Total Liabilities	24,464,924.39	26,112,888.03
	Total Equity	11,143,025.30	9,049,400.84
	Debt-to-Equity Ratios	2.20 : 1.00	2.89 : 1.00
d)	Total Assets	35,607,949.68	35,162,288.87
	Total Equity	11,143,025.30	9,049,400.84
	Asset-to-Equity Ratios	3.20 : 1.00	3.89 : 1.00