







# Endurance.

## BEYOND FISCAL PERFORMANCE

Established in 1972 to supplement the retirement income of members in private education, we have prudently grown the Members' Fund from **PhP140,000** to **PhP5.66 billion** in a span of 42 years. Along the way, we have achieved milestones in innovative services and expanded benefit package even for the members' short-term needs. Our leading-edge? Keeping the vision of our founders alive. The passion to serve. The continuing affirmation of confidence and solidarity from Participating Institutions. There lies the strength of your Association.

**And the journey continues.**

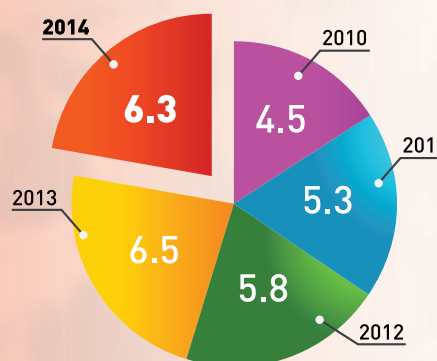
# Chairman and President's Report

**Fiscal Year 2013-2014**

## Overview

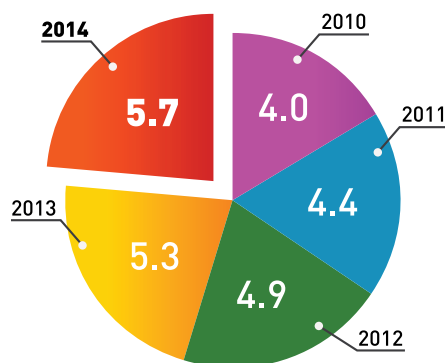
**WE** began the fiscal year upbeat with a significant fund performance and a robust economy. There was euphoria over the multiple investment grade granted by recognized rating services. Inflation was manageable at 2.6%. But a confluence of global and domestic events, including the outflow of portfolio investment from the tapering of U.S. stimulus program, turned the tide, resulting in a sharp decline of Gross Domestic Product from 7.2% to 6% and the rise of inflation to 4.1% by fiscal year end. The onslaught of a dual

**ASSETS**  
(In Billion Pesos)



**Fr. Antonio S. Samson, SJ**  
CHAIRMAN

**MEMBERS' FUND**  
(In Billion Pesos)



monumental disaster during the second trimester cast a deep shadow of uncertainty to an otherwise bullish domestic market.

Who would have thought that after a magnitude 7.2 earthquake in Central Philippines, Mother Nature would unleash such fury that brought unbridled devastation to the lives of survivors and outsourced economic expansion. Super Typhoon Yolanda (Haiyan), is considered as the most powerful typhoon to hit land in history. Despite such debacles, the country's strong fundamentals kept the economy afloat, able to withstand the volatilities of a complex global market and geopolitical developments not to mention domestic issues on misuse of government funds, looming energy crisis and the peace and order condition in Mindanao.

In PERAA, your Board increased fund liquidity while cautiously awaiting for an opportunity to grow the funds at minimal risk.

#### AT FISCAL YEAR END

Total Assets contracted by 4%, from PhP 6.53Bn to PhP 6.29Bn.

Nevertheless, the Members' Fund stood firmly at PhP 5.66Bn at fiscal year end, sustaining the 8% growth from PhP 5.26Bn the previous year. This is reflective of the Board's thrust to put capital preservation and fund safety over high-yielding but risky investments. The Members' Fund holds 90% of the Association's total resources. In 1973, after its first year of operation, PERAA recorded PhP141,967 as Members' Fund.

Our campaign for membership yielded 17 new schools and affiliates which completed the requirements for participation during the 12-month period. Some of them have been under negotiation for one or two years. The new participants – two from NCR, ten from Luzon and five from Mindanao brought our total Participating Institutions to 1,827 and Individual-Members to 71,885 as of April 30, 2014. With the PERAA Board of Trustees and management, we welcome the heads and members of the new entrants.

#### FOR THE FISCAL YEAR

We apprised you, last October, of the low earning environ facing the financial market as a result of a stronger economy.

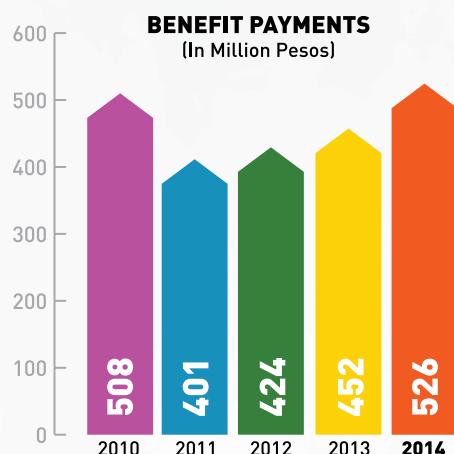
Our Realized Investment Earnings for the year totalled PhP 394.95Mn. However, the Paper Loss or Unrealized Loss of -PhP 496.38Mn incurred during this period pulled down the Net Investment Earnings (NIE) to -PhP 101.42Mn. This reflects a -111% drop from the PhP 889.44Mn NIE the previous year, inclusive of Unrealized Gains. For the fiscal year in review, investment earnings slid by 6%, from the PhP 421.20Mn record the previous year.



**Bernadette M. Nepomuceno**  
PRESIDENT

### SUMMARY OF OPERATIONS

At Fiscal Year End	2014	2013	% Inc (Dec)
<b>Assets</b>	<b>6,296,489,142</b>	6,538,774,006	(4%)
<i>PERAA Members' Fund</i>			
Annuity Accumulation Reserve	<b>5,652,184,142</b>	5,255,254,633	8%
Annuity Pension Reserve	<b>8,267,836</b>	7,836,590	6%
<b>Total Members' Fund</b>	<b>5,660,451,978</b>	5,263,091,223	8%
<b>Membership</b>			
Participating Institutions	<b>1,827</b>	1,810	1%
Individual Members	<b>71,885</b>	71,330	1%
<b>For the Fiscal Year</b>	<b>2014</b>	2013	% Inc (Dec)
Contribution of Members	<b>381,658,190</b>	362,268,488	5%
Investment Earnings	<b>394,957,176</b>	421,202,600	(6%)
Unrealized Gain (Loss)			
on AFS Investments	<b>(496,383,889)</b>	468,244,750	(206%)
<b>Net Investment Earnings</b>	<b>(101,426,713)</b>	889,447,350	(111%)
<b>Credited Rate of Interest</b>	<b>1.06%</b>	10.02%	
<b>Benefit Payments</b>			
Retirement	<b>265,661,337</b>	197,753,057	34%
Repurchase	<b>122,097,771</b>	124,133,558	(2%)
Separation-from-Service	<b>13,483,726</b>	14,699,055	(8%)
Death	<b>11,817,579</b>	7,048,172	68%
Pension	<b>376,533</b>	406,444	(7%)
Disability	<b>240,420</b>	-	0%
Deposit from Benefit Claims	<b>14,890,310</b>	9,002,220	65%
Payments of benefits			
from Reserve Fund	<b>97,105,208</b>	99,069,517	(2%)
<b>Total Benefit Payments</b>	<b>525,672,885</b>	452,112,023	16%
<b>Multi-Purpose Loans</b>	<b>122,361,937</b>	100,909,116	21%
<b>Operating Expenses</b>	<b>60,656,377</b>	51,773,749	17%

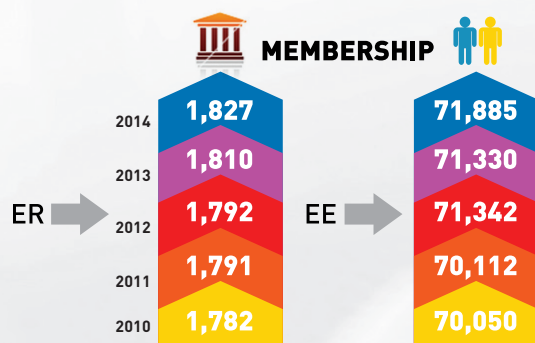


Nevertheless, Members' Contributions went up by 5%, rising from PhP 362.25Mn to PhP 381.65Mn. This was due mainly to the continuing effort of Participating Institutions to cope with the requirements of the new Retirement Pay Law by sustaining a viable retirement plan for the long term,

For the fiscal year ending April 30, 2014 the PERAA Board of Trustees declared a 1.06% rate of return on investments (ROI), bringing the average ROI for the last 42 years to 12.87%, net of tax and expenses,

Total Benefit Payments breached the half billion peso mark, recording a 16% surge from PhP 452.11Mn to PhP 525.67Mn for the fiscal year. More than half i.e. PhP 265.66Mn were paid for Retirement which jumped by 34% compared to the previous fiscal year. On the other hand, benefits released to members due to resignation (Repurchase and Separation-from-Service Benefit) decreased by 2% and 8% respectively.

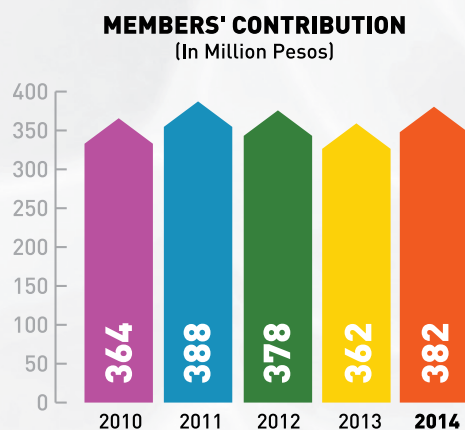
Availments of the Multi-Purpose Loan (MPL) swelled from PhP100.90Mn to PhP122.36Mn as more members qualified and availed of the Expanded-MPL (E-MPL) program. This pertains to loans above PhP50,000 but not more than PhP100,000 per person.



#### ENHANCEMENTS

To improve current programs and level up our services, we reviewed our present packages and practices and came up with the following:

- *Increased Frequency in MPL renewal.* We amended the guidelines to enable qualified and interested member-borrowers to renew their loans after completing 50% monthly amortizations. Considering the very competitive interest rates – 6% per annum for a maximum of PhP 50,000 and 12% for loans from PhP 51 to 100,000 which are much lower than government rates, borrowing from PERAA is really an advantage to the loanee and a boon to the members at-large.
- *Revival of In-house Seminar.* We have included in our plan for the coming fiscal year, the holding of seminars at the PERAA office to update coordinators in-charge of PERAA matters on the policies, systems and procedures in transactions with PERAA. This undertaking will be cost and time efficient and will give participants an opportunity for consultations on special cases. The seminar is free of charge.
- *Finalization of 'Handbook for Coordinators'*, a comprehensive and concise guide on the basic policies and procedures for a more effective implementation of the school's PERAA Plan. This will include requirements and procedures for benefit and MPL application for speedy processing of benefits. The handbook will be ready for distribution this coming fiscal year.



#### NEW TRUSTEE

We welcomed, during the Annual Meeting last year, Bro. Raymundo B. Suplido, FSC, as Trustee-at-large. He was appointed at mid-year by the Board to complete the term of Fr. Antonio Moreno, SJ who resigned from the PERAA Board after his designation as superior of the Jesuit Philippine Province. Bro. Suplido is president/chancellor of University of St. La Salle, Bacolod City.

## COMMENDATION

We take great pleasure in congratulating the *2013 Outstanding Participating Institutions (OPI)* whose performance and track record for the past five years as administrators and service partners of PERAA have boosted the welfare of the institution's beneficiaries:

**Outstanding PI for 2013** – East Asia Educational Foundation, Manila  
**First Runner-up** – Technological Institute of the Philippines, Manila  
**Second Runner-up** – Naga Parochial School, Naga City.

Likewise, our heartfelt felicitations go to *The 2013 Outstanding PERAA Members (TOPM)*:

**Teaching A & B** – Dean Charlemagne G. Lavina & Ms. Carolina P. Sangga (Technological Institute of the Philippines) **Non-Teaching: Administrative and Staff Levels** – Mr. Rhoderick K. Samonte (University of St. La Salle, Bacolod City) & Mr. Rodrigo O. Roble, Jr. (San Pedro College, Davao City).

For the past 25 years, we have given recognition in the annual TOPM search to 255 awardees for their exemplary and selfless service in the practice of their profession, using their creativity in translating into action the noble qualities of industry and integrity, doing their share to make this earth a better place to live in.

## APPRECIATION

At this point, we wish to thank our TOPM co-sponsors and business partners for their generosity and support to make this undertaking a success – BPI Asset Management, ATR Kim Eng Asset Management, MetroBank and Trust Co.; Banco de Oro Private Bank, United Coconut Planters Bank and UPRRAISE as donors.

For sharing their valuable time and professional input in the interview and selection of the year's TOPM winners, we also extend our deep appreciation to the distinguished TOPM Panel of Judges - Dr. Eloisa Tinio (COCOPEA); Dr. Winefreda Asor (CHED); Dr. Ruth Fuentes (DepEd); Ms. Ma. Teresa Marcial-Javier, Mr. Juan Sabino Rosales and Ms. Edlyn Quiros (business); and Mr. Enrique Herbosa (civic organizations).

In the same vein, we are simply grateful to the PERAA Screening Committee (PSC) for lending their expertise, sifting through and evaluating the nominees' documents. The PSC which picks the 20 finalists for the final screening and interview are composed mainly of the executive directors of major accrediting agencies in private schools – Ms. Concepcion Pijano (PAASCU), Dr. Adlai Castigador (PACU-COA), Mr. Angelito Pedreno (ACSCU-AA).

We appreciated the very enlightening talks of our resource speakers at the Administrators' Conference – Mr. Jose Noel Mendoza, BDO Private Bank Vice Pres./Deputy Trust Officer, for walking us through "Philippine Capital Markets Outlook and Portfolio Strategy"; Mr. Jerome Locson, Program Manager, for briefing the assembly on the free "Google Access Programs for Education"; and our Dr. Vincent Fabella, Treasurer, who gave us a close look on "The PERAA Performance".

Most of all, we thank the delegates and administrators, the active participants at the forum, the PERAA friends who all came to the Annual Meeting despite the possibility of a recurring earthquake. Special mention goes to the Sisters of Mary Girls Town for the talented entertainers who graced the anniversary celebration.

## NEW PARTICIPATING INSTITUTIONS AND AFFILIATES FY 2013-2014

### NCR

1. NATIONAL UNIVERSITY, Manila  
President – Mr. Teodoro J. Ocampo
2. SAN LORENZO RUIZ DE  
MANILA SCHOOL, Marikina City  
President – Ms. Lydia C. Vicente

### Luzon

1. ALCANTARA CHRISTIAN SCHOOL, INC.  
Romblon  
President – Mr. Ron T. Macasio
2. BIBLICA LA DELLE ACADEMY, Cavite  
Administrator – Ms. Dana M. Hernandez
3. BRIDGE AUXILLIARY FINANCE CORP.  
Baguio City  
President – Dr. Virgilio C. Bautista
4. HILLCREST BAPTIST CHURCH, INC.  
Angeles City  
Administrator – Ptr. Thomas E. Ashley
5. INTERNATIONAL SCHOOL FOR BETTER  
BEGINNINGS, Lucena City  
President – Ms. Elizabeth Enverga
6. PAX ET LUMEN INTERNATIONAL ACADEMY,  
Angeles City  
President – Ms. Laura Q. Del Rosario
7. SAN ISIDRO LABRADOR ACADEMY  
OF BRGY. BUENAVISTA, Bulacan  
President – Dr. Ricky R. Pantig
8. SOUTHWEST PHILIPPINES ECUMENICAL  
SCHOOL, Mindoro  
President – Mr. Melvin S. Domingo
9. THE LEWIS COLLEGE, Sorsogon City  
President – Atty. Loida Nicolas-Lewis
10. VICTORIOUS CHRISTIAN MONTESSORI  
COLLEGE, INC., Cavite  
President – Dr. Danilo D. Anastacio

### Mindanao

1. COR JESU COLLEGE, INC., Digos City  
President – Br. Ellakim P. Sosmeña, SC
2. ELRIC AUXILIARY SERVICES CORP., Digos City  
President – Br. Ellakim P. Sosmeña, SC
3. FATHER URIOS ACADEMY, INC., Surigao Del Sur  
Principal – Sr. Veronica Dumagan, OP
4. JOHN PAUL II COLLEGE OF DAVAO, Davao City  
President – Mr. Ernesto C. Evangelista
5. LEDOUX COMPANY, INC., Digos City  
President – Br. Ellakim P. Sosmeña, SC

## LOOKING FORWARD

TODAY we are in the midst of a fast evolving world. Changes in the education system will impact on the institutional profile of the members. The dynamics of our political system will affect the concerns of the education sector. Even the economic recovery of U.S., the escalating war in Syria and other parts of the Middle East and the Eurozone will somehow have a bearing on the domestic economy.

But closer to our home front is the K to 12 scenario come 2016. Members in the private education sector have expressed concern over its effect on employment when reduction in enrolment happens. We do hope that the ongoing consultations between government and private school leaders on how best to cushion the impact of such possibility will minimize adverse effects. At any rate, in case of redundancy or retrenchment, the employer's fund in PERAA can be used by the school to pay their employees. The effect on PERAA in case this scenario will happen will initially be a reduced pool of resources but we are confident that after some time, more members will join PERAA.

A second challenge for the Association is the implementation of the International Financial Reporting Standards in 2018. The new standards will require investment placements to cover future losses which will redound to reduced earnings, among others.

Still, we are heartened with the forecast that Philippine economy will grow faster with the post-typhoon reconstruction and rebuilding of infrastructures by government and its private partners coupled with the increase in the export of goods and services not to mention overseas remittances,

Your Association has grown in resources and stature as a vibrant member of the private education community, thanks to your confidence in the Board of Trustees, on your affirmation of solidarity with the other members of this Association. We have not reneged in our commitment to administer, your funds prudently, and to pour our energy to improve our services. Over the years, we have walked together, as one community, endured turbulent periods, celebrating the good times, picking lessons from the not-so-good times, looking forward to another decade of service. Today, the journey continues.

**Fr. Antonio S. Samson, SJ**  
CHAIRMAN, BOARD OF TRUSTEES

**Bernadette M. Nepomuceno**  
PRESIDENT

## Treasurer's Report



**Vicente K. Fabella**  
TRUSTEE FROM NCR  
TREASURER

The Investment Portfolio is a snapshot of your retirement fund held by the PERAA Board of Trustees for safekeeping and administration. Over the years, the changes you have seen in the portfolio indicate the strategies your Board has adopted to make your fund earn better and last for many more years. Let us not forget, risk is always a part of the financial business and performance is affected by the volatile market and geopolitical events in the global scene.

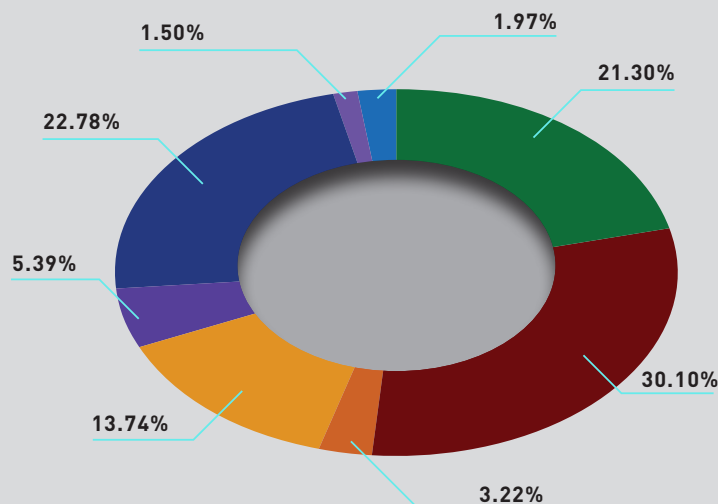
For the year in review, the Board declared a 1.06% return on investments (ROI) bringing our 42-year average ROI to 12.87%, net of tax and expenses. A lower fund performance this year came about with the withdrawal of bonds from emerging markets, including the Philippines, by foreign investors, a reaction to the US decision to trim down its stimulus program. This adversely affected the values of all fixed-income securities where we placed the bulk of our investment fund. Even our Equity, the growth driver of our portfolio, was also affected. This is evident in the overall Returns of Major Asset Classes like the Phil. Fixed Income and the Phil. Equity which fell steeply by the end of the fiscal year. Exception was the Global Equity Asset.

With the poor performance of Major Asset Classes, we downsized, during the fiscal year, our allocation for *Peso Government Debt Securities* from 41.75% to 30.10% seeing its very low earning opportunity, as part of our strategic posturing. In contrast, we increased *Foreign Government Debt Securities/ROPs* (dollar denominated Philippine bonds) from 2.65% to 3.22% due to better opportunities for such investment.



## Investment Portfolio

As of April 30, 2014



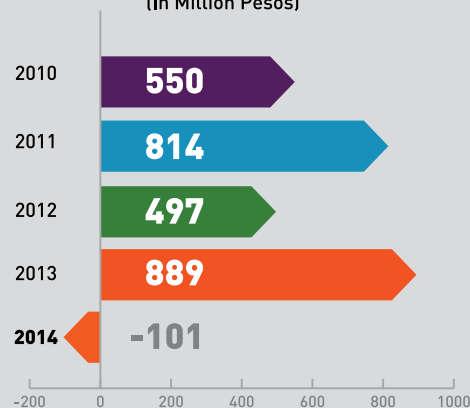
● Peso Gov't. Debt Securities	1,870,964,729	30.10%
● Foreign Gov't. Debt Securities	200,209,275	3.22%
● Peso Corporate Debt Securities	853,885,328	13.74%
● Dollar Corporate Debt Securities	335,076,611	5.39%
● Equity	1,415,883,172	22.78%
● Real Estate	93,534,332	1.50%
● MPL	122,361,937	1.97%
● Cash and Cash Equivalents	1,324,357,592	21.30%
<b>Total Investment Assets</b>	<b>6,216,272,976</b>	<b>100.00%</b>

### INVESTMENT PROFILE

	Amount	% to Total
Government	P2,071,174,004	33%
Corporate	4,022,737,035	65%
Education/MPL	122,361,937	2%
<b>Total</b>	<b>P 6,216,272,976</b>	<b>100%</b>

### NET INVESTMENT EARNINGS

(In Million Pesos)



Seeing a very good opportunity in the rising market sentiments for Equity, we maintained allocation for this investment between 20 to 25%, shifting to global equity rather than domestic placements. We also raised allocation for Multi-Purpose Loan (MPL) from 1.57% to 2% of the investment fund in line with the enhanced MPL. These past months, your Board has been seriously discussing and considering going into prime Real Estate perceived to be a stable and safe income generating investment strategy.

Our main strategy for the fiscal year was putting on hold the re-investment of proceeds from Equity and Fixed-Income Securities, remaining cautious and observant, staying at the sidelines until clearer paths direct us to where the market is really moving. Thus the increase in liquidity or Cash and Cash Equivalent from 12.80% to 21.30%. This and the above posturing raised corporate holdings from 49.28% to 65%.

The fund earned PhP 394.95Mn in Investment Earnings. With the Members' Contributions of PhP381.65Mn, a total of PhP 776.61Mn revenues, it could well take care of the PhP 525.67Mn Benefit Payments for the year. However, the downside is we incurred paper losses or Unrealized Loss of -PhP 496.38Mn pulling down our Net Investment Earnings to -PhP 101.42Mn.

\*Phil FI – Philippine Fixes Income, \*\*Phil EQ – Philippine Equity

There are challenges your Board has to contend with as stewards of your retirement fund. We are looking at persistent low interest rates and rising inflation which will affect the real value of the fund. This early, we are also looking how the new accounting policy of the International Financial Reporting Standards (IFRS 9, replacing IAS 39), will impact on our investments considering the additional requirement to make allocation for loss. Nevertheless, with the improvements in IFRS 9 including the reduction of complexity in classification of categories and elimination of complex requirements for embedded derivatives, we hope to see a more dynamic market. We continue to keep a positive outlook on the economy and the country's capability to keep its gains, minimize its losses and move on to the next level. After all, the country's growth is driven mainly by domestic consumption, inflow from OFW remittances and a stable IT and BPO industry.

Empowered and inspired by your support and trust in your Board, your Association will move on from the first four decades to the next, tested to stand with Endurance and Continuity for many years to come. Thank you.

**Vicente K. Fabella**  
TREASURER  
TRUSTEE FROM NCR

A general assembly of Participating Institutions where the PERAA Board and management make a formal accounting of the results of operation for the fiscal year. More than a legal exercise, it is an occasion for administrators, as stakeholders, to share their views on concerns beneficial to the Association.



## CHAIRMAN'S MESSAGE

Fr. Antonio S. Samson, SJ

"They say that with investment grade comes greater financial stability and greater confidence of investors. But it might also mean lower yields from investments. PERAA performed well for the last Fiscal Year and has declared a 10.02% ROI. (I assure you, **this Board will not go 100% equity to try to attempt to get 10.02% for this year.**) Hopefully, with a lot of prayers ... we would do well this coming year. As you know, the performance of PERAA and the funds it holds for you is not dependent only on us. It is dependent on the outside world ... in US and China and Europe. The PERAA Board of Trustees and PERAA Management are committed to do their best not only to preserve the fund you have entrusted to us but to make them grow."



## PRESIDENT'S REPORT

Bernadette M. Nepomuceno

"We welcome the recognition of the country as an economy to reckon with in Southeast Asia. However, notwithstanding the steady growth of the Philippine economy ... your Board needs to utilize **Strategic Stewardship as an alternative shield to the Association's resources, to seek and seize possibilities for growth yet remaining flexible and creative in its function as fund administrator.** Your Association had a very good head start – 41 years of growth in resources and upgraded services to the members at-large. We stand today on a 13.16% average ROI with huge members' resources and still moving forward."



## TREASURER'S REPORT

Vincent K. Fabella

"The Investment Portfolio shows that the biggest chunk of the pie is still Peso Gov't Debt Securities (Php 2.68Bn), the safest but least yielding placement which holds 41.75% of Total Investment Assets. Equity (Php 1.62Bn) from which comes the bulk of our earnings is next at 25.29%. Please note that after April 30, 2013, as part of our Strategic Stewardship to put premium on fund safety, we have plans to put back Equity placement to 20%. The telltale marks of a stormy journey across the fifth decade could not be ignored. Even as we see a very rosy economic scenario, earnings have gone down, good news for borrowers, but bad news for investment institutions. **We need to brace ourselves for a steep dive in returns...**"



The PERAA Board of Trustees



**VERIFICATION OF QUORUM**

**Atty. Joseph Jason M. Natividad**

The board secretary reported a quorum – 51.58% of total accumulated value of Participating Institutions as of April 30, 2013 – as certified by the external auditors, Sycip Gorres Velayo & Co.



**APPROVAL OF THE AUDITED FINANCIAL REPORT**

A motion, duly seconded, for the approval of the audited financial report was made by Mr. Wilson D. Guanzon, Board Chair/President, Bacolod Christian College of Negros, Inc. The assembly also ratified all actions of the Board and Management for the year.



**COMMENDATION**

Northern Christian College President, Dr. Caesar I. Agnir, made a motion, affirmed by the general assembly, to commend the PERAA Board of Trustees with special mention of the Treasurer, Dr. Vincent Fabella, for making PERAA a “growing, moving and promising institution”.



## The Outstanding PERAA Members (TOPM)

**Honored for exemplary performance and significant service to the community.** Beyond the accolades and the plaudits showered on the awardees, they remain **hardworking and resolute, inspiring the rest.** We stand committed to sustain the TOPM program as an institutional social responsibility, giving back to the vibrant PERAA community.

### TOPM WINNERS, BATCH 2013



#### TEACHING LEVEL A

CHARLEMAGNE G. LAVIÑA, 1st Place, Technological Institute of the Philippines, Quiapo, Manila (L); MARILOU M. SAONG, 2nd Place, University of Baguio, Baguio City (R); JOCELYN MAY FLOR A. CADENA, 3rd Place, University of St. La Salle, Bacolod City (Center)



#### TEACHING LEVEL B

CAROLINA P. SANGGA, 1st Place, Technological Institute of the Philippines, Quezon City (L); MELANIE O. JUNIO, 2nd Place, University of the Assumption, San Fernando City, Pampanga (R); NELSON S. LACADIN, 3rd Place, Northern Christian College, Laoag City (Center)



#### ADMINISTRATIVE LEVEL

RHODERICK K. SAMONTE, 1st Place, University of St. La Salle, Bacolod City (R); CICERO D. ORTIZO, 2nd Place, John B. Lacson Foundation Maritime University-Molo, Iloilo City (Center); SANDRA LYN Q. QUIÑONES, 3rd Place, Southern Christian College, Midsayap, North Cotabato (L)



#### ADMINISTRATIVE STAFF

RODRIGO O. ROBLE, JR., 1st Place, San Pedro College, Inc., Davao City (Center); VIOLY FERNANDA Y. SANTOS, 2nd Place, University of the Assumption, San Fernando City, Pampanga (2nd from L); JACQUELINE G. HERNANDEZ, 3rd Place, University of Baguio, Baguio City (extreme L) with Ms. Bernadette M. Nepomuceno, PERAA President and Fr. Antonio S. Samson, SJ, Chairman

## THE ADMINISTRATORS OF THE 2013 TOPM WINNERS



(L-R) NORTHERN CHRISTIAN COLLEGE, Laoag City represented by Dr. Caesar I. Agnir, President; SAN PEDRO COLLEGE, INC., Davao City represented by Sr. Annabella A. Roña, O.P., President; SOUTHERN CHRISTIAN COLLEGE, Midsayap, North Cotabato represented by Mr. Arfel Quiñones, Registrar; UNIVERSITY OF BAGUIO, Baguio City represented by Dr. Reynaldo C. Bautista, Chairman Emeritus; UNIVERSITY OF THE ASSUMPTION, San Fernando City, Pampanga represented by Rev. Fr. Joselito C. Henson, S.Th.D., President; UNIVERSITY OF ST. LA SALLE, Bacolod City represented by Bro. Raymundo B. Suplido, FSC, President-Chancellor with Board-Presentors and Co-sponsors



### TOPM PANEL OF JUDGES

(Standing L-R) Ms. Eloisa Tinio, Trustee, Coordinating Council of Private Educational Associations (COCOPEA); Ms. Bernadette M. Nepomuceno, PERAA President; Ms. Ma. Teresa Marcial-Javier, Senior VP/Head, BPI Asset Management and Trust Group, Bank of the Philippine Islands; Dr. Ruth L. Fuentes, Director II, National Educators Academy of the Philippines, Department of Education; Dr. Winefreda B. Asor, Education Supervisor II, Commission on Higher Education; (seated L-R) Mr. Juan Sabino Lizares, First Vice President, BDO Private Bank; Mr. Enrique M. Herbosa, Sr., Past President, Rotary International-Makati North



### THE PERAA SCREENING COMMITTEE

(L-R) Mr. Angelito P. Pedreño, Executive Director, ACSCU Accrediting Agency; Dr. Adlai C. Castigador, Executive Director, PACU Commission on Accreditation; Ms. Concepcion V. Pijano, PAASCU Executive Director; Ms. Zenaida J. Kuizon, PERAA Marketing & Clients Servicing Consultant



PERAA Screening Committee in action

## TOPM CO-SPONSORS AND DONORS



# Administrators' Conference

A platform for discussion of current issues in education, financial market, PERAA policies and other institutional concerns... a forum to ask questions ... a step towards financial literacy through first-hand information from industry experts.

## Dr. Ben S. Malayang III

Leads the assembly in prayer, *"Grateful, Lord, that we could come together, and always in Your name, and always for the purpose for which You have given our schools... Amen."*



**Dr. Ben S. Malayang III**  
Trustee at-large



**Fr. Antonio S. Samson, SJ**  
Chairman, Trustee from Visayas

## Fr. Antonio S. Samson, SJ

Strikes the welcome note for delegates and guests, sets the timbre of the conference, the thrust towards which the Board will lead the Association for the fiscal year – **"Strategic Stewardship: Seizing Opportunities for Growth."**

## Dr. Karen Belina F. De Leon

Formally opens the conference with a note of empathy for members and administrators 'in the wake of destruction and devastation from the earthquake that hit the area last week'.



**Dr. Karen Belina F. De Leon**  
Trustee at-large  
Moderator, Emcee



**Fr. Roberto C. Yap, SJ**  
Trustee at-large

## Fr. Roberto C. Yap, SJ

Introduces the guest resource speakers:  
JOSE NOEL MENDOZA, Sr. VP & Deputy Trust Officer, BDO Private Bank. With 20 years of research and investment advisory experience in fixed income and equity markets  
JEROME LOCSON, Program Manager, Google Access Program for Education in the Philippines. Worked as Web & Mobile Application Developer in various IT companies.

## RESOURCE SPEAKERS



**Mr. Jose Noel M. Mendoza**  
Senior Vice President  
BDO Private Bank

### Philippine Capital Markets Outlook and Portfolio Strategy

*"You have to balance off taking on high yield as against credit quality. I think it's important to look at the overall portfolio of your assets. Meaning, **there is a certain strategy that you can take wherein your overall portfolio will be giving you a return higher than inflation** probably in the next three to five years. We're looking at dollar yields on bonds to continue increasing over the next three to four years. Similar to the strategy with peso bond, you also want to be focused on sovereign. Like for the Philippines, since the government has so much dollar reserves and it's not indebted, you can be exposed to the government because it gives you a higher yield on the dollar asset."*



**Dr. Vicente K. Fabella**  
Treasurer  
Trustee from NCR

### The PERAA Performance

*"...There are good years, there are bad years. And you take the good year and the bad year together and **what's really more important for the fund since it is a retirement fund, your retirement money, is you really look at it as a sustained effort overtime ...** how your retirement fund does over a longer period of time ... The benchmark is usually three years, ten years and twenty years ... Over that time, PERAA is pretty stable... We try to keep those ups and downs manageable because we don't want it to swing too wide but there will be swings. We're seeing such a swing right now ... We don't know what this year's performance will be like. We will try to improve it, of course, but you have to understand that the variants do happen."*



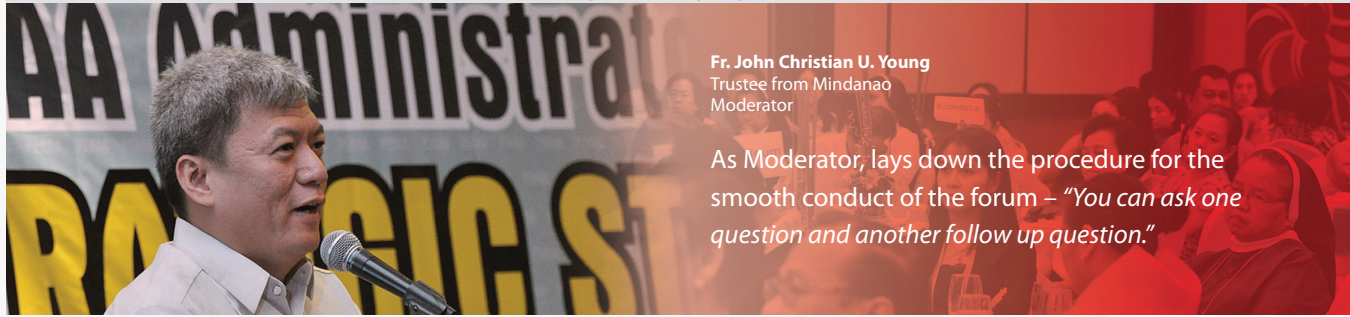
**Mr. Jerome Locson**  
Program Manager  
Google Phils.

### Google Program In Education

JEROME LOCSON

*"**Google works in partnership with teachers and organizations to provide resources, funding, expertise and professional development opportunities** resulting in a viable internet ecosystem. We want to make learning a magical experience for students. We think students should not just be the consumers of this information on the web but also co-creators, taking an active role in technology in the world that they live in that will shape their future. We build the foundation of technology and access."*

## OPEN FORUM



**Fr. John Christian U. Young**  
Trustee from Mindanao  
Moderator

As Moderator, lays down the procedure for the smooth conduct of the forum – *“You can ask one question and another follow up question.”*

### **MULTI-PURPOSE LOAN**

**“What’s the interest rate we charge members for their MPL?”** – Atty. Levi T. Saligumba, Mt. Matutum Christian School

**“Can we come up with a unit whose job will just be to inform schools about MPL?”** – Dr. Alexander Franco A. Delantar, Cebu Institute of Technology

FOR the regular MPL that used to be P30,000 now P50,000, we charge 6%. Those above (E-MPL), more than P50,000 up to P100,000 that’s 12%. When we decide on our interest rates, we look at SSS and Pag-IBIG and we always try to place our rates lower. So, when we peg ours at 6%, SSS and Pag-IBIG would have higher rates. We do campaign for it. It’s just that some schools don’t want to encourage their employees borrowing. But on the other hand, their employees go outside and pay very usurious rates. They would be helping their employees if they push for the PERAA MPL. – Pres. BMNepomuceno

**‘I suggest a loan fund with releases and repayments to be managed by the PIs for faster release. Most of our employees avail of the Pag-IBIG because of its speedy loan release.’** – Mr. Danny Dionaldo, Davao Medical School Foundation

Actually, it works like that because we send the school a lump sum allocation. But the one that we do for the school is to check their past loan and to see how much has been paid because we have that record. Otherwise, your employee might keep on borrowing over and over. So we want to make sure that it’s a clean record for you. – BMN

### **PERAA MEMBERSHIP**

**“The person who will go around the schools will have to campaign for membership in PERAA. As a regular employee way back in 1994, we were made to choose between Pag-IBIG and PERAA. I chose Pag-IBIG because at that time, the priority was to acquire a lot.”** – Dr. Lorna L. Lorenzo, Filamer Christian University

I think you’re correct and we have to campaign more particularly in the Visayas because the bigger memberships of the Plan are from Luzon and Mindanao. We have a lower membership in Visayas so we’ll take note of that.” – BMN

### **GROWING AND PROTECTING THE FUND**

**“Is it perfectly alright to leave a retiree’s money in PERAA since our money is earning better here than the local banks? Is it allowed and for how long?”** – Pres. Editha R. Maniago, Marymount Child Development Center

Yes, it is allowed, provided, the retiree does not file a retirement claim yet, else it becomes an investment. But a retiree can ask the school not to file his claim and it can stay there for as long as he hasn’t put in his claim. – BMN

**“Can employees increase their contribution or their savings more than what the employer would contribute? Our Trustees prefer to put the excess fund on the Reserve Fund rather than distribute it to the employees’ accounts.”** – Ms. Cecilia K. Ong, Palawan Hope Christian School

Yes. If the employer is putting in 4%, the employee can give 4% under contributory scheme, plus another 4% as voluntary contribution. That is the maximum employee contribution for these rates, without increasing the employer share. – BMN

**“Suppose employees or the school themselves stop remitting premium contributions, what will PERAA do? ... And I can assure you this is going to happen in 2016.”** – Pres. Caesar I. Agnir, Northern Christian College

As provided by law, the school can ask PERAA to use its money in PERAA for retrenchment, redundancy or whatever. It isn’t just for resignation or death or retirement. You can use it for other benefits as long as it goes to the employee and not back to the employer. So if you are downsizing, you can claim for retrenchment and that’s tax free for your employees. – BMN

**“What has the PERAA Board come up with to prepare for the re-entering the market more aggressively in three-years’ time when there is supposed to be a great movement there downward and as an opportunity?”** – Pres. Wilson D. Guanzon, Bacolod Christian College of Negros, Inc.

The Board of Trustees is very active in strategizing. When the interest rates were high, we were just holding on to financial instruments like fixed income. In fact, we keep more than 50% on ROP’s and a little corporate and a little on equities. But now that it’s lower, we look at other assets... Real estate is good because if you pick good locations, good properties, it appreciates. We have yearly benefit claims of around PhP 400Mn, less than 10% of our fund. We are really able to program how much fund we will keep in investments and how much fund we will allocate for benefit claims.” – BMN

**“If the fund or a portion thereof is not supposed to go to the resigning faculty who has served the school for more than three years, then where would that school’s contribution go?”** – WDG

We credit it to wherever you want, either to Reserve Fund or as contribution deposit for future premium payment. The fund vested on an employee can be used for retrenchment or redundancy ... based on the legal opinions from our tax lawyers and the plan provision that we submitted to BIR. So even for gratuity pay to an employee and you get it from the reserve fund of the school, that’s also allowed by BIR. As long as it is an employee benefit, BIR will approve that (and even DOLE). What we’re trying to protect, always, is the tax exemption of the fund. – BMN

## OPEN FORUM

**“In relation to issues on the SSS Board of Trustees having received millions of bonuses, may we know how much the PERAA Board of Trustees is receiving in terms of honorarium and bonuses?”**  
– WDG

The Board of Trustees do not get any honorarium. When I attend a board meeting, I get a transportation allowance of Php 1,000. My coming here to Cebu – They will refund my ticket, house me in a hotel, the same with the other Trustees. Of course, those from Visayas and Mindanao get a larger transportation allowance. I assure you we do not get any bonuses. There is one benefit that we have had and the Association has been told about it during the time of Dr. Armand V. Fabella. The first time PERAA fund reached Php 1Bn, the Board of Trustees were allowed a foreign trip of about a week or ten days. When we reached Php 5Bn two years ago, we made a trip to India for about a week. We are now at about Php 6.5Bn and we are planning a trip outside for about a week.  
– Chair ASSamson

**“After existing for more than 40 years, are there advantages in maintaining our association status or are there advantages in moving forward and incorporating the fund?”** – WDG

A couple of years ago, we did decide to form a SEC registered corporation. But there is a difficulty because Philippine Law says, “Individual persons may run a retirement plan fund.” So you notice all of the fund of PERAA now as an association are technically in the name of the Trustees. However, a corporation with juridical personality may not run a retirement fund unless it also has a trust license like banks. So we have a corporate personality but it cannot run the retirement fund. So PERAA reclaimed its status as an association and all of your money, more than Php 6Bn, is in the name of this Board of Trustees. Each one of us and all of us are responsible for that fund. And as one of the safeguards, the election of Board of Trustees of PERAA is not by institution but by fund size. I think we do have an honest Board of Trustees. For the past 40 years you have been used to 10%, 12%, 15% earnings. We really do not know what this coming year would be. Frankly for me, I think if we make 6%, it will be very amazing from all the data that you’ve heard from BDO. – Fr. Samson



**Dr. Patricia Bustos-Lagunda**  
Trustee from Luzon

### Dr. Patricia Bustos-Lagunda

CONCLUDING the conference, sums up the main points raised and discussed: 1. For us to brace ourselves for lower yields in the coming year; 2. We have to do a balancing act for pushing the MPL among our employees; 3. The funds, in the form of Reserve Fund or the non-vested funds may be used come 2016 when we anticipate the number of our faculty to be retrenched or redundated; 4. We were given the many possibilities of Google Apps for Education which can be customized and more importantly, it's free.



**Mr. Wilson D. Guanzon**  
Board Chair/President  
Bacolod Christian College of  
Negros, Inc., Bacolod City



**Atty. Levy T. Saligumba**  
School Board Member  
Mt. Matutum Christian School  
Polomolok, South Cotabato



**Dr. Alexander Franco A. Delantar**  
Director, Expanded Tertiary Education  
Equivalency and Accreditation  
Program (ETEEAP)  
Cebu Institute of Technology  
Cebu City



**Dr. Lorna L. Lorenzo**  
Business Manager  
Filamer Christian University  
Roxas City



**Dr. Editha R. Maniago**  
President/School Head  
Marymount Child Development  
Center, Inc., Quezon City



**Dr. Caesar I. Agnir**  
President  
Northern Christian College  
Laoag City



**Mr. Danny Dionaldo**  
HR Officer  
Davao Medical School  
Foundation, Davao City



**Ms. Cecilia K. Ong**  
Administrator  
Palawan Hope Christian School





## The PERAA Board of Trustees

*Front row, left to right:*

**Fr. Antonio S. Samson, SJ**  
 Chairman  
 Trustee (Visayas)  
 Chairman, Ateneo de Iloilo  
 \* 17 yrs. from 1997

**Reynaldo C. Bautista**  
 Vice Chairman  
 Trustee (at-large)  
 Chairman Emeritus, University of Baguio  
 \* 24 yrs. from 1990

**Bernadette M. Nepomuceno**  
 President and Trustee  
 \* 12 yrs. from 2002

**Vicente K. Fabella**  
 Treasurer  
 Trustee (NCR)  
 President, Jose Rizal University  
 \*11 yrs. from 2003

*Middle row, left to right:*

**Elizabeth Q. Lahoz**  
 Trustee (at-large)  
 President, Technological Institute of the Phils.  
 \* 11 yrs. from 2003

**Karen Belina F. De Leon**  
 Trustee (at-large)  
 President, Misamis University  
 \* 7 yrs. from 2007

**Fr. Roberto C. Yap, SJ**  
 Trustee (at-large)  
 President, Xavier University  
 \*2 yrs from 2012

**Ben S. Malayang III**  
 Trustee (at-large)  
 President, Silliman University  
 \* 5 yrs. from 2009

*Top row, left to right:*

**Patricia Bustos-Lagunda**  
 Trustee (Luzon)  
 Exec. Vice President, Baliuag University  
 \* 3 yrs. from 2011

**Bro. Raymundo B. Suplido, FSC**  
 Trustee (at-large)  
 President, University of St. La Salle  
 \* 1 yr. from 2013

**Fr. John Christian U. Young**  
 Trustee (Mindanao)  
 President, Father Saturnino  
 Urios University  
 \*3 yrs. from 2011

*\* years with PERAA*

**FR. ANTONIO S. SAMSON, SJ**

Chairman, Ateneo de Iloilo; Ordained Priest, 25 March 1973; Recipient, PAASCU's 'James Meany Award'; Ph.D. and M.A. in Chemistry (Brandeis University, MA, USA, 1969 & 1967); M.A. in Philosophy (Berchmans College, 1963); A.B. – Chemistry *Cum Laude*, *Class Valedictorian* (Ateneo de Manila University)

**REYNALDO C. BAUTISTA**

Chairman Emeritus, University of Baguio; Chairman, Center for Educational Measurement; Chairman, Rural Bank of Itogon; Ph.D. Honoris Causa (China Academy, Taiwan); Ph.D. Candidate (Centro Escolar University, M.A. in Education (University of the Philippines); B.S. Natural Sciences (Ateneo de Manila University)

**BERNADETTE M. NEPOMUCENO**

President, Private Education Retirement Annuity Association; Member, Board of Directors, First Metro Save and Learn Mutual Fund; Founding Member, Friends of Jung; MA in Psychology (Ateneo de Manila University); AB Psychology (University of the Philippines)

**VICENTE K. FABELLA**

President, Jose Rizal University; Ph.D. in Business Administration (University of the Philippines, Diliman, QC, 1999); AB Economics and Development Studies (Brown University, RI); Master in Business Administration (Columbia Business School, N.Y., U.S.A.); Master in Public Administration; (Columbia Sch. of International and Public Affairs, N.Y., U.S.A.)

**ELIZABETH QUIRINO- LAHOZ**

President & Vice Chairman, Technological Institute of the Philippines; Ph.D. in Education, Major in Educational Administration (University of the Philippines, College of Education, *Most Outstanding Dissertation*, 2006); MBA for Senior Executives and Professionals (Ateneo de Manila University); AB Communication Arts, *Magna Cum Laude*, *Class Valedictorian* and *Area Awardee* (Maryknoll College of QC, 1973)

**KAREN BELINA F. DE LEON**

President, Misamis University; Doctor of Education major in Educational Management (Misamis University, 2003); Master in Business Administration (MU, 2002); Master in Hospital Administration (Acad. Units Earned, Ateneo de Manila, 1993); Doctor of Medicine (UERMMC, 1986); and Bachelor of Arts (University of the Phils., 1982)

**BEN S. MALAYANG III**

President, Silliman University; Ph.D. in Wildland Resource Science (University of California at Berkeley); Two master degrees: an MA in International Affairs (major in Economics and minor in Political Science) and an MA in Philosophy (Ohio University); AB Philosophy (University of the Philippines, Diliman, QC, 1974); Certificate in Human Ecology Research for Social Scientists (East-West Center in Hawaii, 1982)

**FR. ROBERTO C. YAP, SJ**

President, Xavier University; Realty Investment Inc.; Ordained Priest, March 1992; Ph.D. in Economics (University College London, UK, 2002), Master in Public Policy (Harvard University Cambridge MA, USA, 1995), MA in Theology (Ateneo de Manila University, 1992), Bachelor in Sacred Theology (Loyola School of Theology, 1992), MA in Economics (New School for Social Research, New York, 1988), Bachelor of Arts in Economics, *with Honors* (Ateneo de Manila University, 1980)

**PATRICIA BUSTOS-LAGUNDA**

Exec. Vice President, Baliuag University; Ph.D. in Educational Leadership and Management (Executive Program) Degree Program *with Distinction* (De La Salle University, Manila, 2009); Master in Business Management (Asian Institute of Management, Makati, 1985); Bachelor of Arts in Economics, *University Scholar, Dean's Lister* (University of the Philippines, QC, 1981)

**FR. JOHN CHRISTIAN U. YOUNG**

President, Father Saturnino Urios University; Ordained Priest, July 1994; Doctoral Candidate in Missiology, Licentiate in Missiology (Pontifical Gregorian University, Rome, Italy); MA Pastoral Ministry, Philosophical Studies (Ateneo de Manila University); Bachelor of Sacred Theology (Loyola School of Theology, ADMU), Granted by Fu Jen Catholic University, Taipei, Taiwan; Course for Ecclesiastical Financial Administrators (Catholic Bishops' Conference of the Philippines and University of Sto. Tomas, Manila); San Jose Seminary (ADMU); BS Zoology (UP Diliman)

**BRO. RAYMUNDO B. SUPLIDO, FSC**

President/Chancellor, University of St. La Salle; Chairman of the Board, Lasallian Supervised Schools Assn., Inc; Ph.D. in Counseling Psychology *with High Distinction* (De La Salle University- Manila); M.A. in Education - Educational Management *Magna Cum Laude* (De La Salle University-Manila); Baccalaureate and Licentiate in Clinical Psychology *Magna Cum Laude* (Pontifical Gregorian University, Rome, Italy); Bachelor of Arts & Bachelor of Science in Education *Magna Cum Laude* (De La Salle University-Manila); Certificate in Religious Formation, Institute of Religious Formation (St. Louis University, Illinois, USA)

## Independent Auditors' Report

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The Board of Trustees and Members  
Private Education Retirement Annuity Association

### Report on the Financial Statements

We have audited the accompanying financial statements of Private Education Retirement Annuity Association, which comprise the statements of net assets available for distribution to members as at April 30, 2014 and 2013, and the statements of operations, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditors' Responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Private Education Retirement Annuity Association as at April 30, 2014 and 2013, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

### **Report on the Supplemental Investments Schedule**

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental investments schedule as at April 30, 2014 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The preparation and presentation of such schedule is the responsibility of the management of Private Education Retirement Annuity Association. Such schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements. In our opinion, the schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Janeth T. Nuñez

Partner

CPA Certificate No. 111092

SEC Accreditation No. 1328-A (Group A),  
July 1, 2013, valid until June 30, 2016

Tax Identification No. 900-322-673

BIR Accreditation No. 08-001998-69-2012,  
April 11, 2012, valid until April 10, 2015

PTR No. 4225198, January 2, 2014, Makati City

August 20, 2014

PRIVATE EDUCATION RETIREMENT ANNUITY ASSOCIATION

## Statements of Net Assets Available for Distribution to Members

	April 30	
	2014	2013
<b>ASSETS</b>		
Cash and cash equivalents (Note 7)	<b>P581,707,037</b>	P628,215,539
Financial assets at fair value through profit or loss (Note 8)	<b>291,989,587</b>	82,310,000
Short-term time deposit	–	28,100,000
Available-for-sale investments (Note 9)	<b>3,819,594,642</b>	4,828,833,515
Loans and receivables (Note 10)	<b>969,896,049</b>	337,410,935
Long-term time deposits	<b>68,350,000</b>	48,350,000
Held-to-maturity investments (Note 11)	<b>401,456,438</b>	421,750,173
Property and equipment (Note 12)	<b>62,524,978</b>	64,064,002
Software costs (Note 13)	<b>7,351,456</b>	3,393,337
Investment properties (Note 14)	<b>93,534,332</b>	93,534,332
Other assets	<b>84,623</b>	2,812,173
	<b>6,296,489,142</b>	6,538,774,006
<b>LIABILITIES</b>		
Accounts payable and other liabilities (Note 15)	<b>49,548,886</b>	48,855,049
Members' deposits (Note 18)	<b>17,598,826</b>	21,881,096
Benefits payable	–	7,893,925
	<b>67,147,712</b>	78,630,070
<b>NET ASSETS</b>	<b>6,229,341,430</b>	6,460,143,936
<b>LESS SPECIAL RESERVES</b> (Note 20)	<b>173,276,900</b>	175,985,131
<b>NET ASSETS AVAILABLE FOR DISTRIBUTION TO MEMBERS</b>	<b>P6,056,064,530</b>	P6,284,158,805

See accompanying Notes to Financial Statements.

PRIVATE EDUCATION RETIREMENT ANNUITY ASSOCIATION

Statements of Operations

	Years Ended April 30	
	2014	2013
<b>INVESTMENT INCOME (LOSSES)</b>		
Interest income (Notes 7, 8, 9, 10 and 11)	<b>₱220,537,498</b>	₱254,773,391
Gain on sale of investments (Note 9)	<b>138,702,138</b>	228,663,648
Foreign exchange gain/(loss)	<b>54,543,097</b>	(20,133,477)
Dividends	<b>21,028,420</b>	14,785,941
Fair value gain on investment properties (Note 14)	–	6,931,332
Miscellaneous (Notes 14, 21 and 23)	<b>7,857,642</b>	11,108,508
	<b>442,668,795</b>	496,129,343
Unrealized gain on revaluation of financial assets at fair value through profit or loss	<b>23,149,344</b>	–
<b>TOTAL INCOME</b>	<b>465,818,139</b>	496,129,343
<b>EXPENSES</b>		
Operating expenses (Note 22)	<b>60,656,377</b>	51,773,749
Investment expenses (Notes 9, 14 and 17)	<b>10,204,586</b>	23,152,994
	<b>70,860,963</b>	74,926,743
<b>EXCESS OF INVESTMENT INCOME OVER EXPENSES</b>	<b>₱394,957,176</b>	₱421,202,600

See accompanying Notes to Financial Statements.

PRIVATE EDUCATION RETIREMENT ANNUITY ASSOCIATION

Statements of Cash Flows

	Years Ended April 30	
	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Excess of investment income over expenses	<b>P394,957,176</b>	P421,202,600
Adjustments for:		
Interest income (Notes 7, 8, 9, 10 and 11)	<b>(220,537,498)</b>	(254,773,391)
Gain on sale of investments (Note 9)	<b>(138,702,138)</b>	(228,663,648)
Fair value gain on financial assets at fair value through profit or loss	<b>(23,149,344)</b>	-
Foreign exchange gain/(loss)	<b>(54,543,097)</b>	20,133,477
Dividends	<b>(21,028,420)</b>	(14,785,941)
Fair value gain on investment properties (Note 14)	-	(6,931,332)
Impairment loss on available-for-sale investments (Note 9)	-	6,659,362
Depreciation and amortization (Notes 12 and 22)	<b>5,568,026</b>	4,559,144
Net gain from disposal of property plant and equipment (Note 12)	-	(28,704)
Changes in operating assets and liabilities:		
Decrease (increase) in amounts of:		
Loans and receivables (Note 24)	<b>(585,641,697)</b>	363,334,038
Short-term time deposits	<b>28,100,000</b>	(28,100,000)
Financial assets at fair value through profit or loss	<b>(186,530,243)</b>	-
Other assets	<b>2,727,550</b>	(2,601,757)
Increase (decrease) in amounts of:		
Accounts payable and other liabilities	<b>693,837</b>	(85,844,945)
Members' deposits	<b>15,555,523</b>	6,091,367
Benefits payable	<b>(7,893,925)</b>	3,202,456
Net cash generated from (used in) operations	<b>(790,424,250)</b>	203,452,726
Interest received	<b>254,773,391</b>	263,225,384
Net cash provided by (used in) operating activities	<b>(535,650,859)</b>	466,678,110
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale/maturities of:		
Available-for-sale investments	<b>3,785,914,169</b>	1,566,344,306
Long-term time deposits	-	30,500,000
Acquisitions of:		
Available-for-sale investments	<b>(3,134,357,048)</b>	(1,636,881,909)
Long-term time deposits	<b>(20,000,000)</b>	(30,000,000)
Property and equipment (Note 12)	<b>(2,328,758)</b>	(951,013)
Software costs (Note 13)	<b>(5,658,362)</b>	(458,654)
Dividends received	<b>14,785,941</b>	16,334,152
Net cash provided by (used in) investing activities	<b>638,355,942</b>	(55,113,118)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Deductions from members' equity (Notes 19 and 24)	<b>(530,871,775)</b>	(456,948,072)
Members' contributions	<b>381,658,190</b>	362,268,488
Net cash used in financing activities	<b>(149,213,585)</b>	(94,679,584)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(46,508,502)</b>	316,885,408
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>628,215,539</b>	311,330,131
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)</b>	<b>P581,707,037</b>	P628,215,539

See accompanying Notes to Financial Statements.

PRIVATE EDUCATION RETIREMENT ANNUITY ASSOCIATION

Statements of Changes in Net Assets

	Members' Equity (Note 18)	General Reserves (Deficit) (Note 20)	Net Unrealized Gain on Available-for-Sale Investments (Note 9)
<b>Balance at May 1, 2013</b>	<b>P5,263,091,223</b>	<b>P94,052,483</b>	<b>P927,015,099</b>
Members' contributions	381,658,190	-	-
Earnings distributed to members (Note 20)	526,736,548	(526,736,548)	-
Contributions previously recognized as members' deposits (Note 18)	19,837,792	-	-
Deductions from members' equity (Note 19)	(530,871,775)	-	-
Net decrease in net assets before results of operations	397,360,755	(526,736,548)	-
Excess of investment income over expenses	-	394,957,176	-
Reversal of appropriation from office transfer and computerization	-	2,708,231	-
Changes in fair value of available-for-sale investments	-	-	(357,681,751)
Realized gain taken to profit or loss	-	-	(138,702,138)
Net change in fair value of available-for-sale investments	-	-	(496,383,889)
<b>Balance at April 30, 2014</b>	<b>P5,660,451,978</b>	<b>(35,018,658)</b>	<b>P430,631,210</b>
<b>Balance at May 1, 2012</b>	<b>P4,875,998,868</b>	<b>P168,157,008</b>	<b>P458,770,349</b>
Members' contributions	362,268,488	-	-
Earnings distributed to members (Note 20)	438,873,260	(438,873,260)	-
Contributions previously recognized as members' deposits (Note 18)	42,898,679	-	-
Deductions from members' equity (Note 19)	(456,948,072)	-	-
Net decrease in net assets before results of operations	387,092,355	(438,873,260)	-
Excess of investment income over expenses	-	421,202,600	-
Appropriation for distribution of losses of FY 08-09	-	(49,694,726)	-
Appropriation for increase in fair valuation of investment property	-	(6,931,332)	-
Reversal of appropriation from office transfer and computerization	-	2,122,802	-
Appropriation for minimum death benefit	-	(1,930,609)	-
Net appropriations	-	(56,433,865)	-
Changes in fair value of available-for-sale investments	-	-	690,249,036
Realized gain taken to profit or loss	-	-	(228,663,648)
Impairment loss recognized to profit or loss	-	-	6,659,362
Net change in fair value of available-for-sale investments	-	-	468,244,750
<b>Balance at April 30, 2013</b>	<b>P5,263,091,223</b>	<b>P94,052,483</b>	<b>P927,015,099</b>

See accompanying Notes to Financial Statements.



**Special Reserves (Note 20)**

<b>Net Assets Available for Distribution to Members</b>	<b>Office Transfer and Computerization</b>	<b>Contingency</b>	<b>Other Reserves</b>	<b>Subtotal</b>	<b>Net Assets</b>
<b>P6,284,158,805</b>	<b>P10,105,659</b>	<b>P103,078,347</b>	<b>P62,801,125</b>	<b>P175,985,131</b>	<b>P6,460,143,936</b>
381,658,190	-	-	-	-	381,658,190
-	-	-	-	-	-
19,837,792	-	-	-	-	19,837,792
(530,871,775)	-	-	-	-	(530,871,775)
(129,375,793)	-	-	-	-	(129,375,793)
394,957,176	-	-	-	-	394,957,176
2,708,231	(2,708,231)	-	-	(2,708,231)	-
(357,681,751)	-	-	-	-	(357,681,751)
(138,702,138)	-	-	-	-	(138,702,138)
(496,383,889)	-	-	-	-	(496,383,889)
<b>P6,056,064,530</b>	<b>P7,397,428</b>	<b>P103,078,347</b>	<b>P62,801,125</b>	<b>P173,276,900</b>	<b>P6,229,341,430</b>
P5,502,926,225	P12,228,461	P51,453,012	P55,869,793	P119,551,266	P5,622,477,491
362,268,488	-	-	-	-	362,268,488
-	-	-	-	-	-
42,898,679	-	-	-	-	42,898,679
(456,948,072)	-	-	-	-	(456,948,072)
(51,780,905)	-	-	-	-	(51,780,905)
421,202,600	-	-	-	-	421,202,600
(49,694,726)	-	49,694,726	-	49,694,726	-
(6,931,332)	-	-	6,931,332	6,931,332	-
2,122,802	(2,122,802)	-	-	(2,122,802)	-
(1,930,609)	-	1,930,609	-	1,930,609	-
(56,433,865)	(2,122,802)	51,625,335	6,931,332	56,433,865	-
690,249,036	-	-	-	-	690,249,036
(228,663,648)	-	-	-	-	(228,663,648)
6,659,362	-	-	-	-	6,659,362
468,244,750	-	-	-	-	468,244,750
<b>P6,284,158,805</b>	<b>P10,105,659</b>	<b>P103,078,347</b>	<b>P62,801,125</b>	<b>P175,985,131</b>	<b>P6,460,143,936</b>

## Notes to Financial Statements

### 1. Organization

Private Education Retirement Annuity Association (PERAA or the Association) is composed of private schools as well as institutions or foundations within the private education sector. These schools, referred to as Participating Institutions (PIs), periodically contribute to the Association based on a fixed rate as determined in their respective Retirement Plan Resolution. The Association controls and manages contributions that will be used eventually to pay the retirement obligations of the PIs to their qualified employees. The contributions, together with the gains and losses, realized and unrealized, less expenses, shall constitute the PERAA fund held by the board of trustees (BOT). The retirement benefits to the PIs' retiring members shall be based on the accumulated value of their contributions together with their credited dividends.

On June 5, 1972, the Bureau of Internal Revenue (BIR) approved the PERAA Plan Agreement (the Plan) as a tax-exempt plan under Republic Act (R.A.) No. 4917, an act providing that retirement benefits of employees of private firms shall not be subject to attachment, levy, execution, or any tax whatsoever. The BOT of the Association is a qualified trustee that is entitled to all the benefits and privileges provided for by Section 60(B), in relation to Section 32(B)(6)(a), both of R.A. No. 8424, otherwise known as the "Tax Reform Act of 1997". Consequently, the funds created to implement the provisions of the plans and the retirement pay to their respective retirees remains exempt pursuant to said law.

The registered office address of the Association, which is also its principal place of business, is at 16th Floor, Multinational Bancorporation, 6805 Ayala Avenue, Salcedo Village, Makati City.

### 2. Administration of the Plan

The Association is administered by the BOT which is composed of eleven (11) members distributed as follows:

- a) Four (4) regional representatives, one (1) member each from Luzon, National Capital Region, Visayas, and Mindanao, elected by the PIs;
- b) Six (6) trustees-at-large elected by the PIs; and
- c) The President of the Association who is elected by the BOT.

The PIs and the BOT entered into a Trust Agreement which spells out the rights, privileges, obligations, and responsibilities of the PIs, and the control, direction, management and administration of the PERAA fund by the BOT.

### 3. Summary of Significant Accounting Policies

#### Basis of Preparation

The accompanying financial statements of the Association have been prepared on a historical cost basis except for financial assets at fair value through profit or loss (FVPL), available-for-sale (AFS) investments and investment properties which have been measured at fair value. The financial statements are presented in Philippine peso, which is the Association's functional currency, and all amounts are rounded to the nearest peso unless otherwise stated.

#### Statement of Compliance

The financial statements of the Association have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

#### Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended Philippine Accounting Standards (PAS) and PFRS which were adopted beginning May 1, 2013:

#### *PFRS 7, Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments)*

Amendments to PFRS 7 require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set-off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format, unless another format is more appropriate, the following minimum quantitative information.

This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

- a) The gross amounts of those recognized financial assets and recognized financial liabilities;
- b) The amounts that are set-off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
- c) The net amounts presented in the statement of financial position;
- d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
  - i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
  - ii. Amounts related to financial collateral (including cash collateral); and
- e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments affect disclosures only and have no impact on the Association's financial position or performance. The Association does not have financial instruments that are set-off in accordance with PAS 32 or subject to an enforceable master netting arrangement or similar agreement. However, these amendments would be considered for future transactions.

#### *PFRS 13, Fair Value Measurement*

PFRS 13 establishes a single source of guidance under PFRS for all fair value measurements. It does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. Its disclosure requirements need not be applied in comparative information provided for periods before initial application of PFRS 13.

Application of PFRS 13 has not materially impacted the fair value measurements of the Association. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. Fair value hierarchy and other disclosures required by PFRS 13 are provided in Note 5.

#### *PAS 1, Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income (Amendments)*

Amendments to PAS 1 change the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendments affect presentation only and have no impact on the Association's financial position or performance.

#### *PAS 19, Employee Benefits*

On May 1, 2013, the Association adopted the revised PAS 19.

For defined benefit (DB) plans, the revised PAS 19 requires all actuarial gains and losses to be recognized in other comprehensive income and unvested past service costs previously recognized over the average vesting period to be recognized immediately in statement of income when incurred.

Prior to adoption of the revised PAS 19, actuarial gains and losses were recognized as income or expense when the net cumulative unrecognized gains and losses for each individual plan at the end of the previous period exceeded 10.0% of the higher of the defined benefit obligation and the fair value of the plan assets and recognized unvested past service costs as an expense on a straight-line basis over the average vesting period until the benefits become vested.

Upon adoption of the revised PAS 19, all actuarial gains and losses are recognized in other comprehensive income and all past service costs are recognized in statement of income in the period they occur.

The revised PAS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on DB liability or asset which is calculated by multiplying the net balance sheet DB liability or asset by the discount rate used to measure the employee benefit obligation, each as at the beginning of the annual period.

The adoption of the Revised PAS 19 did not have any impact on the Association's retirement obligation. The Association's obligation under its defined contribution (DC) plan exceeds the minimum benefits required by law.

The revised PAS 19 also amended the definition of short-term employee benefits and requires employee benefits to be classified as short-term based on expected timing of settlement rather than the employee's entitlement to the benefits. In addition, the revised PAS 19 modifies the timing of recognition for termination benefits. The modification requires the termination benefits to be recognized at the earlier of when the offer cannot be withdrawn or when the related restructuring costs are recognized.

Changes to definition of short-term employee benefits and timing of recognition for termination benefits do not have any impact to the Association's financial position and financial performance.

The following changes were also adopted by the Association on May 1, 2013 but did not have impact on the financial statements:

PFRS 10, *Consolidated Financial Statements*

PFRS 11, *Joint Arrangements*

PFRS 12, *Disclosure of Interests in Other Entities*

PAS 27, *Separate Financial Statements* (as revised in 2011)

PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011)

Philippine Interpretation IFRIC 20, *Stripping Cost in the Production Phase of a Surface Mine*

PFRS 1, *First-time Adoption of International Financial Reporting Standards – Government Loans* (Amendments)

## Summary of Significant Accounting Policies

### Defined Contribution Plan

The financial statements contain a statement of net assets available for distribution to members and a description of the funding policy under PAS 26, *Accounting and Reporting by Retirement Benefit Plans*. Under a defined contribution plan, the amount of a participant's future benefits is determined by the contributions paid by the employer, the participant, or both, and the operating efficiency and investment income of the fund.

### Cash and Cash Equivalents, and Time Deposits

For purposes of reporting cash flows, cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with maturities of three (3) months or less from dates of placement, and that are subject to insignificant risk of changes in value. Short-term time deposits represent cash placements with maturities of more than three months but less than one year, while long-term time deposits represent cash placements with maturities of more than one year. Under PAS 39, *Financial Instruments: Recognition and Measurement*, both short-term and long-term time deposits are classified as 'Loans and receivables' and are subject to significant risk of changes in value.

### Fair Value Measurement

The Association measures financial instruments, such as derivatives, at fair value at each statement of financial position date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price or binding dealer price quotations, without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e., using recent arm's length market transactions adjusted as necessary and reference to the current market value of another instrument that is substantially the same) and the income approach (i.e., discounted cash flow analysis).

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities in the absence of a principal market, in the most advantageous market for the asset or liability
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

#### Financial Instruments - Initial Recognition and Subsequent Measurement

##### *Date of recognition*

Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

##### *Initial recognition of financial instruments*

All financial instruments are initially recognized at fair value. Except for financial instruments at FVPL, the initial measurement of financial instruments includes transaction costs. The Association classifies its financial instruments in the following categories: financial assets at FVPL, AFS investments, held-to-maturity (HTM) investments, loans and receivables and other financial liabilities. The classification depends on the purpose for which the instruments were acquired and whether they are quoted in an active market. Management determines the classification of its financial instruments at initial recognition, and where allowed and appropriate, re-evaluates such designation at every reporting date.

##### *'Day 1' difference*

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Association recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the statement of operations unless it qualifies for recognition as some other type of asset.

the difference between the transaction price and the model value is only recognized in the statement of operations when the inputs become observable or when the instrument is derecognized. For each transaction, the Association determines the appropriate method of recognizing the 'Day 1' difference amount.

##### *Financial assets at FVPL*

Financial assets at FVPL are recorded at fair value in the statement of net assets available for distribution to members. Changes in the fair value relating to financial assets at FVPL are recognized in the statement of operations.

Financial assets classified in this category are designated by management on initial recognition when:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

##### *AFS investments*

AFS investments are designated as such or do not qualify to be classified as financial assets at FVPL, HTM investments or loans and receivables. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. The Association's AFS investments consist of debt and equity securities, and investments in mutual funds.

After initial measurement, AFS investments are subsequently measured at fair value. Dividends earned on holding AFS equity securities are recognized in the statement of operations when the right to receive payment has been established. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities is reported in the statement of operations. The unrealized gains and losses arising from the fair valuation of AFS investments are excluded net of tax from reported income and are reported as 'Net unrealized gain (loss) on AFS investments', a separate line item in the statement of changes in net assets.

When the security is disposed of, the cumulative gain or loss previously recognized in 'Net unrealized gain (loss) on AFS investments' is recognized as 'Gain on sale of investments' in the statement of operations. Where the Association holds more than one investment

in the same security, these are deemed to be disposed of on a first-in first-out basis. The losses arising from impairment of such investments are recognized as 'Provision for impairment losses' in the statement of operations.

When the fair value of AFS investments cannot be measured reliably due to lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost net of any impairment value.

#### *Loans and receivables*

Loans and receivables are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets held-for-trading, designated as AFS investments or financial assets designated at FVPL.

Loans and receivables are recognized initially at fair value. After initial measurement, the loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for credit losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of effective interest rate (EIR). The amortization is included in 'Interest income'. The level of allowance for credit losses is evaluated by management on the basis of factors that affect the collectibility of accounts.

#### *HTM investments*

HTM investments represent quoted nonderivative financial assets which carry fixed or determinable payments and have fixed maturities for which the Association has intention to hold until maturity. After initial recognition, HTM investments are subsequently measured at amortized cost using the effective interest method, less any impairment in value. The amortization is included in 'Interest income'. Gains and losses are recognized in the statement of operations when HTM investments are derecognized and impaired, as well as through the amortization process.

#### *Other financial liabilities*

Issued financial instruments or their components, which are not designated at FVPL, are classified as liabilities under 'Accounts payable and other liabilities', 'Members' deposits' and 'Benefits payable' in the statement of net assets available for distribution to members, where the substance of the contractual arrangement results in the Association having an obligation either to deliver cash or other financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity share.

After initial measurement, other financial liabilities not qualified as and not designated as FVPL, are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of EIR.

#### Reclassification of Financial Assets

The Association evaluates its AFS investments whether the ability and intention to sell them in the near term is still appropriate. When the Association is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Association may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Association has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the HTM category is permitted only when the Association has the ability and intention to hold the financial asset until its maturity.

For a financial asset reclassified out of the AFS category, any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the effective interest method. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the effective interest method. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of income.

#### Classification of Financial Instruments Between Debt and Equity

A financial instrument is classified as debt, if it provides for a contractual obligation to:

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

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

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount, after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

#### Derecognition of Financial Instruments

##### *Financial assets*

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

- the rights to receive cash flows from the asset have expired; or
- the Association retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a pass-through arrangement; or
- the Association has transferred its rights to receive cash flows from the asset.

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

##### *Financial liabilities*

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

#### Impairment of Financial Assets

The Association assesses at each reporting date 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 deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

##### *Financial assets carried at amortized cost*

For financial assets carried at amortized cost, the Association first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Association determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparties' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to 'Provision for impairment losses'. Interest income continues to be recognized based on the original EIR of the asset. Such financial assets, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, subsequently, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by reversing the allowance account. If a future write-off is later recovered, any amounts formerly charged are credited to 'Provision for impairment losses'.

#### *AFS investments*

For AFS investments, the Association assesses at each reporting date whether there is objective evidence that an investment is impaired.

In case of equity securities classified as AFS investments, this would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative losses - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in 'Net unrealized gain (loss) on AFS investments' - is removed from 'Net unrealized gain (loss) on AFS investments' and recognized in 'Provision for impairment losses' in the statement of operations. Impairment losses on equity securities are not reversed through the statement of operations. Increases in fair value after impairment are recognized directly in the statement of changes in net assets.

In the case of debt instruments classified as AFS investments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of operations. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. If, in subsequent year, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of operations, the impairment loss is reversed through the statement of operations.

#### Offsetting Financial Instruments

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

#### Property and Equipment

Property and equipment are stated at cost less accumulated depreciation, and any impairment in value.

The initial cost of property and equipment consists of its purchase price, any directly attributable costs of bringing the asset to its working condition and location for its intended use and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located to the extent it had recognized an obligation for that cost.

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

Depreciation is computed using the straight-line method over the estimated useful lives of the depreciable assets.

The estimated useful lives of the depreciable assets follow:

Condominium units	42 years
Office equipment	5-10 years
Furniture and fixtures	10 years
Transportation equipment	5 years
Office improvements	10 years

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. 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 asset) is included in the statement of operations in the period the asset is derecognized.

#### Software Cost

Software cost is capitalized on the basis of the cost incurred to acquire and bring to use the specific software. Software cost is amortized over five (5) years on a straight-line basis and assessed for impairment whenever there is an indication that the software cost may be impaired.



Costs associated with maintaining the computer software programs are recognized as expense when incurred.

The amortization period and the amortization method for software cost are reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. Amortization expense on software cost is recognized in the statement of operations.

#### Investment Property

Investment property consists of properties which are held either to earn rental income or capital appreciation or for both. The Association's investment property is stated in accordance with the fair value model with any change therein is recognized in the statement of operations. The fair value of the investment property is based on valuation performed every two years by an independent appraiser who holds a recognized and relevant professional qualification.

Gains or losses on derecognition of an investment property are recognized in the statement of operations in the year of derecognition.

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

#### Impairment of Nonfinancial Assets

At each reporting date, the Association assesses whether there is any indication that its nonfinancial assets which include property and equipment and software cost may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Association makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash generating unit to which it belongs.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged against operations in the period in which it arises.

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

#### Investment Income and Expenses

The Association's investment income comprises interest income on funds invested, dividend income, changes in market value of financial assets at FVPL and investment properties, realized gains or losses on sale or maturities of investments and foreign exchange gains or losses of monetary assets and liabilities. Interest income is recognized as it accrues, using the effective interest method. Dividend income is recognized on the date that the Association's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Investment expenses are comprised of management fee, bank charges, commission, operating expenses related to investment properties, tax expense and impairment losses recognized on investments which are recognized as incurred.

#### Retirement Benefits

The Association maintains a DC plan that covers all regular full-time employees. Under its DC plan, the Association pays fixed contributions based on the employees' monthly salaries. The Association, however, is covered under RA 7641 which provides for its qualified employees a DB minimum guarantee. The DB minimum guarantee is equivalent to a certain percentage of the monthly salary payable to an employee at normal retirement age with the required credited years of service based on the provisions of RA 7641.

Accordingly, the Association accounts for its retirement obligation under the higher of the DB obligation relating to the minimum guarantee and the obligation arising from the DC plan.

For the DB minimum guarantee plan, the liability is determined based on the present value of the excess of the projected DB obligation over the projected DC obligation at the end of the reporting period. The DB obligation is calculated annually by a qualified independent actuary using the projected unit credit method. The Association determines the net interest expense (income) on the net DB liability (asset) for the period by applying the discount rate used to measure the DB obligation at the beginning of the annual period to the then net DB liability (asset), taking into account any changes in the net DB liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the DB plan are recognized in profit or loss.

The DC liability, on the other hand, is measured at the fair value of the DC assets upon which the DC benefits depend, with an adjustment for margin on asset returns, if any, where this is reflected in the DC benefits.

Remeasurements of the net DB liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Association recognizes gains or losses on the settlement of a DB plan when the settlement occurs.

#### Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and 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 that 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 a substantial change to the asset.

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

#### *Association as a lessor*

Leases where the Association retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Rentals are recognized as an income in the statement of operations on a straight-line basis over the lease term.

#### Provisions

Provisions are recognized when the Association has a present obligation (legal or constructive) as a result of a past event and when it is probable that an outflow of assets embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

#### Contingencies

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

#### Foreign Currency Translation

The books of accounts of the Association are maintained in Philippine peso. For financial reporting purposes, foreign currency-denominated monetary assets and liabilities are translated into their equivalents in Philippine peso based on the Philippine Dealing System (PDS) closing rate prevailing at end of the year and for foreign currency-denominated income and expenses, at the PDS weighted average rate for the year.

#### Events after the Reporting Period

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

#### Standards Issued but not yet Effective

Standards and interpretations issued but not yet effective up to the date of issuance of the Association's financial statements are listed below. Except as otherwise indicated, the Association does not expect that the adoption of these new and amended PFRS, PAS and Philippine Interpretations to have significant impact on the financial statements. Unless specified, the Association will assess the impact of these amendments on its financial position or performance when they become effective.

#### *PAS 32, Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amendments)*

These amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments have no impact on the Association's financial position or performance. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.

#### *PAS 36, Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendments)*

These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Association's financial position or performance.

#### *Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)*

These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. This amendment is not relevant to the Association as it does not have any investment entities.

#### *Philippine Interpretation IFRIC 21, Levies (IFRIC 21)*

IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The Association does not expect that IFRIC 21 will have material financial impact in future financial statements.

#### *PAS 39, Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments)*

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014. The Association has not entered into derivative transactions during the current period.

#### *PAS 19, Employee Benefits - Defined Benefit Plans: Employee Contributions (Amendments)*

The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014.

#### *Annual Improvements to PFRSs (2010-2012 cycle)*

The Annual Improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to PFRSs:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*

- PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*
- PAS 24, *Related Party Disclosures - Key Management Personnel*
- PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*

#### *Annual Improvements to PFRSs (2011-2013 cycle)*

The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Meaning of 'Effective PFRSs'*
- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
- PFRS 13, *Fair Value Measurement - Portfolio Exception*
- PAS 40, *Investment Property*
- PFRS 9, *Financial Instruments: Classification and Measurement*
- Philippine Interpretation IFRIC 15, *Agreement for the Construction of Real Estate*

## **4. Significant Accounting Judgments and Estimates**

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

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

### Judgments

#### *(a) Classification of financial instruments*

The Association classifies financial instruments, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of the instruments. The substance of a financial instrument, rather than its legal form, governs its classification in the Association's statement of net assets available for distribution to members. The Association determines the classification at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

#### *(b) Classification to HTM investments*

The Association classifies quoted nonderivative financial assets with fixed or determinable payments and fixed maturity as HTM investments. This classification requires significant judgment. In making this judgment, the Association evaluates its intention and ability to hold such investments to maturity. If the Association fails to keep these investments to maturity other than in certain specific circumstances for example, sales that are so close to maturity, it will be required to reclassify the entire portfolio as AFS securities. The investments would therefore be measured at fair value and not at amortized cost.

#### *(c) Fair value of financial instruments*

Where the fair values of financial assets and financial liabilities recorded in the statement of net assets available for distribution to members cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

In accordance with the amendments to PFRS 7, disclosures about the level in the fair value hierarchy are required in which the fair value measurements are categorized for assets and liabilities measured in the statement of net assets available for distribution to members. The Association used judgment in assessing the significance of a particular input to the fair value measurements in its entirety, considering the factors specific to the asset or liability.

#### *(d) Financial assets not quoted in an active market*

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

(e) *Operating lease commitments*

*The Association as lessor*

The Association has entered into commercial property leases on its investment properties. The Association has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

(f) *Assessment of functional currency*

PAS 21, *The Effects of Changes in Foreign Exchange Rates*, requires management to determine the Association's functional currency such that it must faithfully represent the economic effects of the underlying transactions, events and conditions that are relevant to the Association. In making this judgment, the Association considers the following:

- the currency that mainly influences sales prices for financial instruments and services;
- the currency in which funds from financing activities are generated; and
- the currency in which receipts from operating activities are usually retained.

Estimates

(a) *Impairment of AFS equity investments*

The Association treats AFS equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The Association treats 'significant' generally as 20% more of the original cost of investment, and 'prolonged', greater than 12 months. In addition, the Association evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

AFS equity securities are carried at ₱603.1 million and ₱1.13 billion as of April 30, 2014 and 2013, respectively. AFS mutual trust funds are carried at ₱1.21 billion and ₱597.4 million as of April 30, 2014 and 2013, respectively. The Association recognized impairment on certain AFS equity securities amounting to nil and ₱6.66 million in 2014 and 2013, respectively (Note 9).

(b) *Impairment of AFS debt securities*

The Association determines that AFS debt investments are impaired when there is observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of debt investments before the decrease can be identified with an individual debt investment in that portfolio. The process of estimating future cash flow is similar to that performed by management in determining credit losses on loans and receivables.

AFS debt investments are carried at ₱2.01 billion and ₱3.10 billion as of April 30, 2014 and 2013, respectively (Note 9). No allowance for impairment losses was recognized on these investments as of April 30, 2014 and 2013.

(c) *Impairment of loans and receivables*

The Association reviews its loans and receivables portfolio to assess impairment at each reporting date. The Association maintains an allowance for credit losses at a level considered adequate to provide for potential uncollectible receivables.

The level of allowance is evaluated by management on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, age of balances, financial status of counterparties, and legal opinion on recoverability in case of legal disputes. The Association reviews the age and status of receivables, and identifies accounts that are to be provided with allowance on a regular basis. The amount of recorded expense for any period would differ if the Association made different judgments or utilized different estimates.

Loans and receivables amounted to ₱969.90 million and ₱337.41 million as of April 30, 2014 and 2013, respectively. Allowance for credit losses on loans and receivables amounted to ₱0.32 million as of April 30, 2014 and 2013 (Note 10).

(d) *Fair value of investment properties*

The Association revalues its investment properties at fair market value based on appraisal reports which are prepared every two years by independent professionally qualified appraisers. The determination of the fair value of the investment properties is dependent on the selection of certain assumption used by the appraiser in calculating such amounts. Those assumptions include among others sales and listings of comparable properties, factors such as location, size and shape of the property, facilities offered, architectural quality and time element. The Association believes that the assumptions used by the appraiser are reasonable and appropriate.

As of April 30, 2014 and 2013, the Association's investment properties amounted to ₱93.53 million (Note 14).

(e) *Impairment of property and equipment and software costs*

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

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

The Association recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the value in use approach. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. The carrying value of the Association's property and equipment amounted to ₱62.52 million and ₱64.06 million as of April 30, 2014 and 2013, respectively (Note 12). As of the same dates, the carrying value of software costs amounted to ₱7.35 million and ₱3.39 million, respectively (Note 13).

(f) *Estimated useful lives and residual values of property and equipment and software costs*

The Association estimates the useful lives and residual values of its property and equipment and software costs. The Association reviews annually the estimated useful lives based on factors that include asset utilization, internal technical evaluation, technological changes, and anticipated use of the net assets. A reduction in the estimated useful lives and residual values of the property and equipment and software costs would increase the recorded depreciation and amortization and decrease the assets.

The estimated useful lives of property and equipment and software costs are disclosed in Note 3. See Notes 12 and 13 for the carrying values of the property and equipment and software costs, respectively.

## 5. Financial Instruments and Fair Value Measurement

The Association's financial assets and financial liabilities classified into the categories of financial instruments under PAS 39 follow:

	2014					
	Financial Assets at FVPL	Loans and Receivables	AFS Investments	HTM Investments	Other Financial Liabilities	Total
<b>Financial Assets</b>						
Cash and cash equivalents	₱-	₱581,707,037	₱-	₱-	₱-	₱581,707,037
Financial assets at FVPL	291,989,587	-	-	-	-	291,989,587
AFS investments	-	-	3,819,594,642	-	-	3,819,594,642
Loans and receivables	-	969,896,049	-	-	-	969,896,049
Long-term time deposits	-	68,350,000	-	-	-	68,350,000
HTM investments	-	-	-	401,456,438	-	401,456,438
	₱291,989,587	₱1,619,953,086	₱3,819,594,642	₱401,456,438	₱-	₱6,132,993,753
<b>Financial Liabilities</b>						
Accounts payable and other liabilities	₱-	₱-	₱-	₱-	₱44,748,637	₱44,748,637
Members' deposits	-	-	-	-	15,643,134	15,643,134
	₱-	₱-	₱-	₱-	₱60,391,771	₱60,391,771
	2013					
	Financial Assets at FVPL	Loans and Receivables	AFS Investments	HTM Investments	Other Financial Liabilities	Total
<b>Financial Assets</b>						
Cash and cash equivalents	₱-	₱628,215,539	₱-	₱-	₱-	₱628,215,539
Short-term time deposits	-	28,100,000	-	-	-	28,100,000
Financial assets at FVPL	82,310,000	-	-	-	-	82,310,000
AFS investments	-	-	4,828,833,515	-	-	4,828,833,515
Loans and receivables	-	337,410,935	-	-	-	337,410,935
Long-term time deposits	-	48,350,000	-	-	-	48,350,000
HTM investments	-	-	-	421,750,173	-	421,750,173
	₱82,310,000	₱1,042,076,474	₱4,828,833,515	₱421,750,173	₱-	₱6,374,970,162
<b>Financial Liabilities</b>						
Accounts payable and other liabilities	₱-	₱-	₱-	₱-	₱45,386,391	₱45,386,391
Members' deposits	-	-	-	-	17,298,326	17,298,326
Benefits payable	-	-	-	-	7,893,925	7,893,925
	₱-	₱-	₱-	₱-	₱70,578,642	₱70,578,642

The methods and assumptions used by the Association in estimating the fair value of the financial instruments are:

*Cash and cash equivalents, and short-term time deposits*

Carrying amounts approximate fair values due to the relatively short-term maturity of these assets.

*Quoted debt and equity securities*

Fair values of listed shares of stocks, government bonds and quoted private bonds are based on quoted prices published in markets.

*Financial assets at amortized cost, other than quoted debt securities*

Fair values of notes receivable, multi-purpose loans and long-term time deposits are estimated using the discounted cash flow methodology using the Association's current incremental lending rates for similar types of loans. Carrying amounts of other items of loans and receivables approximate their fair value due to the relatively short-term maturities of these assets.

*Investment in mutual trust funds*

Fair values are based on computed net asset value of the fund.

*Financial liabilities*

Carrying values approximate fair values due to either the demand feature or the relatively short-term maturities of these liabilities.

Fair Value Hierarchy

The table below presents financial instruments carried at fair value by valuation method as of April 30, 2014 and 2013. The different levels have been defined as follows:

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

The table below presents the assets and liabilities that are either carried at fair value or for which fair value is required to be disclosed, by valuation method as of April 30, 2014 and 2013.

	2014				Total
	Carrying Value	Fair Value			
		Level 1	Level 2	Level 3	
<b>Assets measured at fair value:</b>					
<b>Financial assets at fair value through profit or loss</b>					
Debt securities	P291,989,587	P291,989,587	P-	P-	P291,989,587
<b>AFS securities</b>					
Debt securities	2,009,928,507	2,009,928,507	-	-	2,009,928,507
Mutual trust funds	1,206,615,828	1,206,615,828	-	-	1,206,615,828
Equity securities	603,050,307	603,050,307	-	-	603,050,307
<b>Investment properties</b>	93,534,332	-	-	93,534,332	93,534,332
<b>Assets for which fair values are disclosed:</b>					
Long-term time deposit	68,350,000	-	-	66,937,523	66,937,523
Held-to-maturity investments	401,456,438	425,500,546	-	-	425,500,546
Notes receivable	780,021,219	-	-	777,432,172	777,432,172
Multi-purpose loans	122,361,937	-	-	100,101,920	100,101,920

	2013				
	Carrying Value	Fair Value			Total
		Level 1	Level 2	Level 3	
Assets measured at fair value:					
Financial assets at fair value through profit or loss					
Foreign currency-denominated notes	₱82,310,000	₱-	₱82,310,000	₱-	₱82,310,000
AFS securities					
Debt securities	3,101,146,620	3,101,146,620	-	-	3,101,146,620
Equity securities	1,130,270,657	1,130,270,657	-	-	1,130,270,657
Mutual trust funds	597,416,238	597,416,238	-	-	597,416,238
Investment properties	93,534,332	-	-	93,534,332	93,534,332
Assets for which fair values are disclosed:					
Long-term time deposit	48,350,000	-	-	52,846,651	52,846,651
Held-to-maturity investments	421,750,173	471,090,655	-	-	471,090,655
Notes receivable	122,400,000	-	-	114,259,505	114,259,505
Multi-purpose loans	100,909,116	-	-	84,145,735	84,145,735

There are no transfers from Level 1 to Levels 2 or 3 in April 30, 2014 and 2013. There are also no changes in the valuation techniques of financial instruments under Level 2 and Level 3 fair value hierarchy.

The fair values of the Association's investment properties have been determined based on valuations made by independent professionally qualified appraisers on the basis of recent sales of similar properties in the same areas as the properties and taking into account the economic conditions prevailing at the time the valuations were made.

The table below summarizes the valuation techniques used and the significant unobservable inputs to valuation for each type of investment properties held by the Association:

	Valuation Techniques	Significant Unobservable inputs
<b>Commercial</b>		
Office condominiums	Market Data Approach	Location, Condition and Time element
Parking slots	Market Data Approach	Location, Condition and Time element

Description of the valuation techniques used to valuation of the Association's investment properties are as follow:

**Market Data Approach** A comparable method wherein the value of the property is based on sales and listings of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property. Comparison would be premised on the factors of location, size and shape of the lot, and time element.

**Condition** This pertains to the age and the degree of maintenance of subject unit in particular with consideration to physical deterioration and other factors deemed relevant.

**Location** The analysis of a property's location focuses on the time-distance relationships between the property and common origins or destinations. It is also concerned with the location of the condominium units in relation to floor level. Units located on the upper levels are considered superior.

**Time Element** The measured or measurable period during action or condition exist. It is usually associated with the period in which the property can be sold in an open market within reasonable time.

Location	Significant unobservable input	Range
<b>Office condominium</b>		
Concorde Condominium, Makati City	Price per square meter	₱28,350 - ₱41,889
South Center Tower, Muntinlupa City	Price per square meter	₱68,314 - ₱84,278
<b>Parking slot</b>		
South Center Tower, Muntinlupa City	Price per slot	₱384,750 - ₱450,000



The sensitivity to fair value of the significant unobservable inputs to valuation of the financial assets at FVPL under the Level 3 fair value hierarchy are described below:

Valuation technique	Significant unobservable valuation input	Range	Sensitivity of the input to fair value
Market data approach	Time element	+5.00%	₱4,725,903
		-5.00%	(4,717,440)

## 6. Financial Risk Management Objectives and Policies

The Association's principal financial instruments comprise of cash, receivables, equity securities, mutual trust funds, investment in notes and bonds, and accounts payable. The main risks arising from the Association's financial instruments are credit risk, liquidity risk and market risk. The Association's policies for managing each of these risks are summarized below:

### a. Credit risk

Credit risk represents the loss that the Association would incur if counterparty failed to perform under its contractual obligations. The Association has established controls and procedures to determine and monitor the credit worthiness of its counterparties. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

#### *Maximum exposure to credit risk before taking account of any credit enhancements*

The table below shows the Association's gross maximum exposure to credit risk for the components of the statement of net assets available for distribution to members.

	2014	2013
Loans and receivables:		
Cash and cash equivalents	₱581,707,037	₱628,215,539
Short-term time deposit	-	28,100,000
Loans and receivables:		
Notes receivable	780,021,220	122,400,000
Multi-purpose loans	122,361,937	100,909,116
Due from brokers/investment managers	1,828,701	54,391,379
Accrued interest receivable	50,137,304	53,172,726
Other receivables	14,002,711	5,146,547
Dividends receivable	1,544,176	1,391,167
Long-term time deposits	68,350,000	48,350,000
Financial assets at fair value through profit or loss		
Government bonds	266,660,814	-
Private bonds	25,328,773	-
Foreign currency-denominated notes	-	82,310,000
AFS investments:		
Equity securities	603,050,308	1,130,270,657
Mutual trust funds	1,206,615,828	597,416,238
Debt securities:		
Government bonds	1,309,231,406	2,439,785,269
Private bonds	700,697,100	661,361,351
Held-to-maturity investments	401,456,438	421,750,173
	<b>₱6,132,993,753</b>	<b>₱6,374,970,162</b>

#### *Credit quality per class of financial assets*

The Association invests only in investments with credit ratings consistent with the portfolio benchmark through trustee banks. Majority of the Plan is managed by Bank of the Philippine Islands (BPI) - Asset Management and Trust Group, Metropolitan Bank and Trust Company (MBTC) - Trust Banking Group, BPI (formerly ING Bank (ING) - Trust Department), BDO Unibank (BDO) - Private Bank, and Maybank ATR Kim Eng (ATR) (collectively, the Investment Managers).

As of April 30, 2014 and 2013, the Association has no past due but not impaired financial assets.

The Investment Managers uses Moody's, PhilRatings and Standard & Poor's (S&P) credit risk ratings for the fund.

Description of Moody's credit risk ratings are as follows:

Rating	Risk Level / Description
Aaa, Aaa1, Aaa2, Aaa3 Aa, Aa1, Aa2, Aa3 A, A1, A2, A3	Best quality to upper-medium-grade obligations
Baa, Baa1, Baa2, Baa3 Ba, Ba1, Ba2, Ba3 B, B1, B2, B3	Neither highly protected nor poorly secured
Caa, Caa1, Caa2, Caa3 Ca, Ca1, Ca2, Ca3 C	Poor standing
Unrated	Non-credit assets do not carry credit ratings

Description of PhilRatings are as follows:

Rating	Risk Level / Description
Aaa	Highest quality with minimal credit risk
Aa	High quality and are subject to very low credit risk
A	With favorable investment attributes and is considered as upper-medium grade obligations
Baa	Exhibits adequate protection parameters
Ba	Less vulnerable to nonpayment than other speculative issues
B	More vulnerable to nonpayment than obligations rated 'PRS Ba', but the obligor currently has the capacity to meet its financial commitment on the obligation
Caa	The issue is considered to be of poor standing and is subject to very high credit risk
Ca	Presently highly vulnerable to nonpayment. Likely already in or very near default with some prospect for partial recovery of principal or interest
C	An obligation is already in default with very little prospect for any recovery of principal or interest

The table below shows the credit quality by class of financial assets of the Plan managed by Maybank ATR Kim Eng:

	2014			
	Aaa (PhilRatings)	Baa - B3 (PhilRatings)	Unrated	Total
Loans and receivables:				
Cash and cash equivalents	P-	P-	P50,644,106	P50,644,106
Loans and receivables:				
Accrued interest receivable	624,227	4,578,657	-	5,202,884
Other receivables	-	-	3,719,691	3,719,691
Financial assets at FVPL				
Government bonds	-	266,660,815	-	266,660,815
Private bonds	25,328,772	-	-	25,328,772
AFS investments:				
Mutual trust funds	-	-	570,576,389	570,576,389
Debt securities:				
Private bonds	23,629,910	-	-	23,629,910
	<b>P49,582,909</b>	<b>P271,239,472</b>	<b>P624,940,186</b>	<b>P945,762,567</b>
	2013			
	Aaa (PhilRatings)	Baa - B3 (PhilRatings)	Unrated	Total
Loans and receivables:				
Cash and cash equivalents	P-	P-	P82,614,987	P82,614,987
Loans and receivables:				
Accrued interest receivable	-	-	5,032,191	5,032,191
Other receivables	-	-	221,875	221,875
AFS investments:				
Mutual trust funds	-	-	170,977,122	170,977,122
Debt securities:				
Government bonds	-	298,379,431	24,810,415	323,189,846
Private bonds	17,749,319	40,193,428	-	57,942,747
	<b>P17,749,319</b>	<b>P338,572,859</b>	<b>P283,656,590</b>	<b>P639,978,768</b>

The table below shows the credit quality by class of financial assets of the Plan managed by BDO:

	2014		
	Baa-B3 (Moody's)	Unrated	Total
Loans and receivables:			
Cash and cash equivalents	P-	P40,930,581	P40,930,581
Loans and receivables:			
Notes receivable	-	24,700,000	24,700,000
Accrued interest receivable	46,597	1,464,638	1,511,235
Dividends receivable	-	473,624	473,624
Other receivable	-	623,010	623,010
AFS investments:			
Equity securities	P-	P152,089,422	P152,089,422
Mutual Fund	-	3,972,558	3,972,558
Debt securities:			
Government bonds	43,787,953	-	43,787,953
Private bonds	-	53,013,211	53,013,211
	<b>P43,834,550</b>	<b>P277,267,044</b>	<b>P321,101,594</b>

	2013	
	Unrated	Total
Loans and receivables:		
Cash and cash equivalents	P220,706,017	P220,706,017
Loans and receivables:		
Notes receivable	44,700,000	44,700,000
Accrued interest receivable	1,910,422	1,910,422
Dividends receivable	232,502	232,502
Other receivable	380,260	380,260
AFS investments:		
Equity securities	163,364,345	163,364,345
Debt securities:	-	-
Government bonds	48,775,911	48,775,911
Private bonds	32,634,166	32,634,166
	<b>P512,703,623</b>	<b>P512,703,623</b>

The tables below show the credit quality by class of financial assets of the Plan managed by BPI:

	2014			Total
	Aaa (PhilRatings)	Baa-B3 (Moody's)	Unrated	
Loans and receivables:				
Cash and cash equivalents	P-	P-	P1,835,680	P1,835,680
Loans and receivables:				
Notes receivable	2,000,000	9,700,000	-	11,700,000
Accrued interest receivable	53,711	4,910,887	54,098	5,018,696
Due from brokers/ investment managers	-	-	1,828,701	1,828,701
Other receivables	-	-	870,000	870,000
Long-term time deposits	-	-	1,350,000	1,350,000
AFS investments:				
Equity securities	-	-	58,612,388	58,612,388
Mutual trust funds	-	-	304,816,360	304,816,360
Debt securities:				
Government bonds	-	359,989,194	-	359,989,194
Private bonds	8,392,560	-	-	8,392,560
	<b>P10,446,271</b>	<b>P374,600,081</b>	<b>P369,367,227</b>	<b>P754,413,579</b>

2013				
	Aaa (PhilRatings)	Baa-B3 (Moody's)	Unrated	Total
Loans and receivables:				
Cash and cash equivalents	P-	P-	P210,247,671	P210,247,671
Loans and receivables:				
Notes receivable	-	9,700,000	2,000,000	11,700,000
Accrued interest receivable	-	4,749	14,354,716	14,359,465
Due from brokers/ investment managers	-	-	52,116,290	52,116,290
Other receivables	-	-	905,342	905,342
Long-term time deposits	-	-	1,350,000	1,350,000
AFS investments:				
Equity securities	-	-	343,550,823	343,550,823
Mutual trust funds	-	-	87,071,420	87,071,420
Debt securities:				
Government bonds	-	872,250,281	-	872,250,281
Private bonds	132,581,827	-	8,432,397	141,014,224
	<b>P132,581,827</b>	<b>P881,955,030</b>	<b>P720,028,659</b>	<b>P1,734,565,516</b>

The tables below show the credit quality by class of financial assets of the Plan managed by MBTC:

2014				
	Aaa (PhilRatings)	Baa - B3 (Moody's)	Unrated	Total
Loans and receivables:				
Cash and cash equivalents	P-	P-	P350,831	P350,831
Loans and receivables:				
Notes receivable	-	-	36,000,000	36,000,000
Accrued interest receivable	1,171,518	2,766,876	844,061	4,782,455
Dividend receivable	-	-	644,444	644,444
Other receivables	-	-	657,374	657,374
Long-term time deposits	-	2,000,000	40,000,000	42,000,000
AFS investments:				
Equity securities	-	-	268,853,525	268,853,525
Debt securities:				
Government bonds	-	167,857,100	15,579,538	183,436,638
Private bonds	112,416,810	-	-	112,416,810
	<b>P113,588,328</b>	<b>P172,623,976</b>	<b>P362,929,773</b>	<b>P649,142,077</b>

2013				
	Aaa (PhilRatings)	Baa - B3 (Moody's)	Unrated	Total
Loans and receivables:				
Cash and cash equivalents	P-	P-	P80,670,942	P80,670,942
Short-term deposits	-	-	28,100,000	28,100,000
Loans and receivables:				
Notes receivable	-	-	36,000,000	36,000,000
Accrued interest receivable	-	-	9,835,511	9,835,511
Dividend receivable	-	-	659,444	659,444
Other receivables	-	-	108,562	108,562
Long-term time deposits	-	-	42,000,000	42,000,000
AFS investments:				
Equity securities	-	-	510,104,704	510,104,704
Debt securities:				
Government bonds	-	486,220,147	-	486,220,147
Private bonds	40,412,068	-	132,996,093	173,408,161
	<b>P40,412,068</b>	<b>P486,220,147</b>	<b>P840,475,256</b>	<b>P1,367,107,471</b>

The tables below show the credit quality by class of financial assets (gross of allowance for credit losses) of the Plan managed by PERAA In-House Investments:

2014					
	Aaa (PhilRatings)	Baa – B3 (Moody's)	Unrated	Impaired	Total
Loans and receivables:					
Cash and cash equivalents	P-	P-	P35,647,732	P-	P35,647,732
Loans and receivables:					
Notes receivable	-	-	707,621,220	318,524	707,939,744
Accrued interest receivable	3,063,382	12,965,781	17,592,871	-	33,622,034
Dividends receivable	-	-	426,108	-	426,108
Other receivables	-	-	6,296,245	-	6,296,245
Long-term time deposits	-	-	25,000,000	-	25,000,000
AFS investments:					
Equity securities	-	-	123,494,973	-	123,494,973
Mutual trust funds	-	-	327,250,521	-	327,250,521
Debt securities:					
Government bonds	26,815,750	671,608,381	23,593,489	-	722,017,620
Private bonds	140,524,283	-	362,720,327	-	503,244,610
HTM investments	-	401,456,438	-	-	401,456,438
	P170,403,415	P1,086,030,600	P1,629,643,486	P318,524	P2,886,396,025

2013					
		Baa – B3 (Moody's)	Unrated	Impaired	Total
Loans and receivables:					
Cash and cash equivalents		P-	P7,142,028	P-	P7,142,028
Loans and receivables:					
Notes receivable		-	30,318,524	318,524	30,637,048
Accrued interest receivable		9,443,208	12,591,929	-	22,035,137
Due from brokers/investment managers		-	2,275,089	-	2,275,089
Dividends receivable		-	499,221	-	499,221
Other receivables		-	1,557,513	-	1,557,513
Long-term time deposits		-	5,000,000	-	5,000,000
Investment in foreign currency-denominated notes		-	82,310,000	-	82,310,000
AFS investments:					
Equity securities		-	113,250,785	-	113,250,785
Mutual trust funds		-	339,367,696	-	339,367,696
Debt securities:					
Government bonds		572,794,545	136,554,539	-	709,349,084
Private bonds		23,248,897	233,113,155	-	256,362,052
HTM investments		421,750,173	-	-	421,750,173
		P1,027,236,823	P963,980,479	P318,524	P1,991,535,826

Rating of BB under S&P credit rating indicates that the investment is less vulnerable in the near term than other lower-rated obligors. However, it faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions, which could lead to the obligor's inadequate capacity to meet its financial commitments.

The following financial assets - Loans and receivables are included in the books of PERAA In-House Operations and are not rated:

	2014	2013
Cash and cash equivalents	P452,298,107	P26,833,894
Loans and receivables:		
Multi-purpose loans	122,361,937	100,909,116
Other receivables	1,836,392	1,972,995
	P576,496,436	P129,716,005

### Concentration of credit risk by industry sector

The tables below show the concentration of credit risk of the financial assets of the Association by industry sector, before taking into account any collateral held or other credit enhancements (in thousands):

2014									
	Cash and Cash Equivalents	Financial Assets at FVPL	AFS Equity Securities	AFS Mutual Trust Funds	AFS Debt Securities	Loans and Receivables	Long-term Time Deposits	HTM Investments	Total
Government	P191,329	P266,661	P-	P-	P1,309,231	P35,965	P-	P401,456	P2,204,642
Financial intermediaries	390,378	-	55,109	1,206,616	65,043	785,390	68,350	-	2,570,886
Holding firms	-	20,050	150,944	-	339,980	5,339	-	-	516,313
Real estate and renting	-	3,570	107,922	-	106,100	3,855	-	-	221,447
Transportation, storage and communication	-	-	11,970	-	23,653	913	-	-	36,536
Food, beverages and tobacco	-	1,709	92,701	-	13,426	73	-	-	107,909
Electricity, gas and water	-	-	92,123	-	61,899	1,210	-	-	155,232
Individuals	-	-	-	-	-	136,365	-	-	136,365
Mining	-	-	6,725	-	11,910	39	-	-	18,674
Others	-	-	85,556	-	78,686	1,066	-	-	165,308
	581,707	291,990	603,050	1,206,616	2,009,928	970,215	68,350	401,456	6,133,312
Less allowance for credit losses	-	-	-	-	-	319	-	-	319
<b>Total</b>	<b>P581,707</b>	<b>P291,990</b>	<b>P603,050</b>	<b>P1,206,616</b>	<b>P2,009,928</b>	<b>P969,896</b>	<b>P68,350</b>	<b>P401,456</b>	<b>P6,132,993</b>

2013										
	Cash and Cash Equivalents	Short-term Time Deposit	Financial Assets at FVPL	AFS Equity Securities	AFS Mutual Trust Funds	AFS Debt Securities	Loans and Receivables	Long-term Time Deposits	HTM Investments	Total
Government	P320,900	P-	P-	P-	P-	P2,439,785	P41,969	P-	P421,750	P3,224,404
Financial intermediaries	307,316	28,100	82,310	141,342	597,416	56,706	157,736	48,350	-	1,419,276
Holding firms	-	-	-	275,466	-	271,787	3,878	-	-	551,131
Real estate and renting	-	-	-	215,124	-	152,762	18,622	-	-	386,508
Transportation, storage and communication	-	-	-	153,172	-	50,535	11,185	-	-	214,892
Food, beverages and tobacco	-	-	-	134,597	-	102,267	545	-	-	237,409
Electricity, gas and water	-	-	-	124,301	-	27,305	910	-	-	152,516
Individuals	-	-	-	-	-	-	102,882	-	-	102,882
Mining	-	-	-	48,343	-	-	-	-	-	48,343
Others	-	-	-	37,925	-	-	-	-	-	37,925
	628,216	28,100	82,310	1,130,270	597,416	3,101,147	337,727	48,350	421,750	6,375,286
Less allowance for credit losses	-	-	-	-	-	-	319	-	-	319
<b>Total</b>	<b>P628,216</b>	<b>P28,100</b>	<b>P82,310</b>	<b>P1,130,270</b>	<b>P597,416</b>	<b>P3,101,147</b>	<b>P337,408</b>	<b>P48,350</b>	<b>P421,750</b>	<b>P6,374,967</b>

### b. Liquidity Risk

Liquidity risk arises from the possibility that the Association may encounter difficulty in raising funds to meet commitments from financial instruments. The Association's objectives to manage its liquidity profile are: a) to ensure that adequate funding is available at all times; b) to meet commitments as they arise without incurring unnecessary costs; and c) to be able to access funding when needed at the least possible cost.

The Association manages liquidity risk by assessing the gap for additional funding and determining the best source and cost of funds on a regular basis.

The following are the contractual maturities of financial assets and financial liabilities, including estimated undiscounted cash flows (i.e., interest payments):

2014					
	Carrying Amount	Less than 1 year	1 to 5 years	Over 5 years	Total
<b>Financial Assets</b>					
Cash and cash equivalents	P581,707,037	P581,911,018	P-	P-	P581,911,018
Financial assets at fair value through profit or loss	291,989,587	291,989,587	-	-	291,989,587
AFS investments	3,819,594,642	2,070,074,475	533,031,365	2,020,078,867	4,623,184,707
Loans and receivables	969,896,049	670,149,600	167,102,139	253,080,687	1,090,332,426
Long-term time deposits	68,350,000	2,659,750	14,654,625	62,890,101	80,204,476
HTM investments	401,456,438	160,335,075	80,065,000	268,534,198	508,934,273
	6,132,993,753	3,777,119,505	794,853,129	2,604,583,853	7,176,556,487
<b>Financial Liabilities</b>					
Accounts payable and other liabilities	44,748,637	44,748,637	-	-	44,748,637
Members' deposits	15,643,134	15,643,134	-	-	15,643,134
	60,391,771	60,391,771	-	-	P60,391,771
<b>Net Liquidity Surplus</b>	<b>P6,072,601,982</b>	<b>P3,716,727,734</b>	<b>P794,853,129</b>	<b>P2,604,583,853</b>	<b>P7,116,164,716</b>

	2013				Total
	Carrying Amount	Less than 1 year	1 to 5 years	Over 5 years	
<b>Financial Assets</b>					
Cash and cash equivalents	P628,215,539	P628,215,539	P-	P-	P628,215,539
Short-term time deposits	28,100,000	28,822,482	-	-	28,822,482
Financial assets at fair value through profit or loss	82,310,000	-	-	82,310,000	82,310,000
AFS investments	4,828,833,515	447,546,268	1,230,358,051	3,499,843,972	5,177,748,291
Loans and receivables	337,410,935	139,158,796	100,640,233	97,611,906	337,410,935
Long-term time deposits	48,350,000	2,659,750	24,380,082	35,861,335	62,901,167
HTM investments	421,750,173	35,737,000	305,976,821	203,453,799	545,167,620
	6,374,970,162	1,282,139,835	1,661,355,187	3,919,081,012	6,862,576,034
<b>Financial Liabilities</b>					
Accounts payable and other liabilities	45,386,391	45,386,391	-	-	45,386,391
Members' deposits	17,298,326	17,298,326	-	-	17,298,326
Benefits payable	7,893,925	7,893,925	-	-	7,893,925
	70,578,642	70,578,642	-	-	70,578,642
<b>Net Liquidity Surplus</b>	<b>P6,304,391,520</b>	<b>P1,211,561,193</b>	<b>P1,661,355,187</b>	<b>P3,919,081,012</b>	<b>P6,791,997,392</b>

c. *Market Risk*

Market risk is the risk that changes in market prices, such as equity prices, interest rate, and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Association's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control risk exposures within acceptable parameters, while optimizing the return on risk.

*Interest rate risk*

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in interest rates. The Association follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits.

The following table sets forth the sensitivity of the Association's net unrealized gain on AFS investments in 2014 and 2013 to a reasonably possible change in interest rates in investment in bonds with all other variables held constant:

	2014		2013	
	+25	-25	+25	-25
Change in interest rates (in basis points)				
Change in net unrealized gain on AFS investments	<b>(P7,274,861)</b>	<b>P7,465,697</b>	(P8,626,747)	P27,066,800
As a percentage of net unrealized gain on AFS investments	<b>(1.73%)</b>	<b>1.77%</b>	(0.93%)	2.92%

*Price risk sensitivity analysis*

The Association's exposure to price risk arises from its investment in equity securities. The Association has investment managers which monitor its equity securities in its investment portfolio based on daily price quotes and current developments on the underlying companies which could potentially affect the market values of the shares.

A 16% increase in the market value of publicly traded equity securities at period-end would have increased net unrealized gain on AFS investments by P76.04 million for the year ended April 30, 2014. This analysis assumes that all other variables remain constant.

On the other hand, a 16% decrease in the market values of publicly traded equity securities at period-end would have an equal but opposite effect on the net unrealized gain or loss on AFS investments, on the basis that all other variables remain constant.

*Foreign currency risk sensitivity analysis*

The Association's exposure to foreign currency risk results from its investments denominated in foreign currencies. The Association has investment managers to administer its investments.

The Association's exposure to foreign currency risk based on notional amounts follows:

	2014		2013	
	USD	Euro	USD	Euro
Cash and cash equivalents	<b>\$600,485</b>	€-	\$387,077	€-
Investment in foreign currency-denominated notes	-	-	2,000,000	-
AFS investments:				
Mutual trust funds	<b>13,449,232</b>	-	41,272,508	-
Debt securities	<b>3,432,000</b>	<b>240,000</b>	5,472,000	240,000
	<b>17,481,717</b>	<b>240,000</b>	49,131,585	240,000
Exchange rate	<b>44.60</b>	<b>61.41</b>	41.16	53.92
<b>Net exposure</b>	<b>P779,684,578</b>	<b>P14,738,400</b>	P2,022,256,039	P12,940,800

A 10% strengthening of the Philippine peso against foreign currencies as of April 30, 2014 and 2013 would have decreased investment income by P2.68 million and P9.83 million in 2014 and 2013, respectively, and net unrealized gain by P76.76 million and P194.68 million in 2014 and 2013, respectively.

A 10% weakening of the Philippine peso against foreign currencies as of April 30, 2014 and 2013 would have an equal but opposite effect, on the basis that all other variables remain constant.

## 7. Cash and Cash Equivalents

This account consists of:

	2014	2013
Cash in bank	P137,852,558	P97,127,826
Cash equivalents	443,854,479	531,087,713
	<b>P581,707,037</b>	<b>P628,215,539</b>

Cash in bank earns interest at respective bank deposit rates.

Cash equivalents earn interest ranging from 0.13% to 2.60% and from 1.50% to 7.50% in 2014 and 2013, respectively.

## 8. Financial Assets at Fair Value through Profit or Loss

This account consists of:

	2014	2013
Debt securities		
Government bonds	P266,660,814	P-
Private bonds	25,328,773	-
Foreign currency-denominated notes	-	82,310,000
	<b>P291,989,587</b>	<b>P82,310,000</b>

Debt securities consist of peso-denominated bonds earning interest ranging from 5.00% to 9.13% in 2014.

Foreign currency-denominated notes pertain to redeemable principal-protected notes, due on June 30, 2017, which are linked to another foreign currency-denominated mutual fund. On September 6, 2013, the issuer redeemed these notes at P80.1 million.

## 9. Available-for-Sale Investments

This account consists of:

	2014	2013
Debt securities:		
Government bonds	P1,309,231,406	P2,439,785,269
Private bonds	700,697,100	661,361,351
Mutual trust funds	1,206,615,828	597,416,238
Equity securities	603,050,308	1,130,270,657
	<b>P3,819,594,642</b>	<b>P4,828,833,515</b>

AFS debt securities consist of investments in bonds earning interest ranging from 1.63% to 11.48% in 2014 for peso-denominated bonds, and from 4.00% to 9.63% in 2014 for foreign currency-denominated bonds.



As of April 30, 2014 and 2013, private bonds classified as AFS investments include the following:

- 6.80% fixed rate multiple put bonds with an aggregate carrying value of ₱95.68 million and ₱91.89 million, respectively to mature in May 2021. On the fifth anniversary of such bonds, the Association shall have the right, but not the obligation, to require the issuer to redeem up to 20% of all their outstanding debt securities at such time; and on the eighth anniversary of the issue date, the Association shall have the right, but not the obligation, to require the issuer to redeem up to 100% of all their outstanding debt securities.
- 4.375% fixed rate bonds with carrying value of ₱4.9 million and nil, respectively to mature in December 2020. On the first interest payment date after the fifth anniversary from the issue date, the Association shall have the right but not the obligation, to require the issuer to redeem up to 100% of the outstanding debt security.
- 9.875% non-cumulative step-up callable perpetual securities with carrying value of ₱24.31 million and ₱23.25 million, respectively to mature in October 2016. The issuer, at its option, may redeem the perpetual securities at the fixed or final redemption date.

The fair values of the embedded derivatives on the above bonds as of April 30, 2014 and 2013 are not material to the financial statements of the Association.

Movements in net unrealized gain on AFS investments follow:

	2014	2013
Balance at beginning of the year	₱927,015,099	₱458,770,349
Unrealized gain/(loss) on AFS investments	(357,681,751)	690,249,036
Realized gain taken to profit or loss	(138,702,138)	(228,663,648)
Impairment loss recycled to profit or loss	-	6,659,362
<b>Balance at end of the year</b>	<b>₱430,631,210</b>	<b>₱927,015,099</b>

Impairment loss on AFS investments is included under 'Investment expenses' in the statements of operations.

The gain (loss) on sale of AFS investments by class follows:

	2014	2013
Debt securities	₱61,004,919	₱104,736,924
Equity securities	60,703,933	86,726,377
Mutual trust funds	16,993,286	37,200,347
	<b>₱138,702,138</b>	<b>₱228,663,648</b>

## 10. Loans and Receivables

This account consists of:

	2014	2013
Notes receivable	₱780,339,744	₱122,718,524
Multi-purpose loans (Note 23)	122,361,937	100,909,116
Accrued interest receivable	50,137,304	53,172,726
Due from brokers/investment managers	1,828,701	54,391,379
Dividends receivable	1,544,176	1,391,167
Others	14,002,711	5,146,547
	<b>970,214,573</b>	<b>337,729,459</b>
Less allowance for credit losses	318,524	318,524
	<b>₱661,690,049</b>	<b>₱337,410,935</b>

Multi-purpose loans earn interest ranging from 3.28% to 6.62% in 2014 and 2013. Notes receivable earn interest ranging from 3.25% to 7.25% and from 4.75% to 10.53% in 2014 and 2013, respectively.

As of April 30, 2014 and 2013, the Association's notes receivable that is fully provided with allowance amounting to ₱0.32 million, is considered clean loan.

## 11. Held-to-Maturity Investments

HTM investments consist of investment in bonds earning interest ranging from 8.88% to 11.48% as of April 30, 2014 and 2013.

### Reclassification of Financial Assets

Prior to 2011, the Association classified its investments in bonds as HTM investments which were measured at amortized cost. The Association, however, sold in 2009 other than an insignificant amount of these investments prior to maturity. Under PAS 39, when investments classified as HTM investments are being sold prior to maturity, other than if a situation arises that is non-recurring and could not have been reasonably anticipated by the Association, the entire portfolio of the investments would then be tainted and shall be reclassified as AFS investments and shall be measured at fair value. Furthermore, an entity would be prohibited from classifying any financial asset to the HTM investments during the succeeding two years following the year of reclassification to the AFS investments. In 2011, the Association reclassified all its investments in bonds from HTM investments to AFS investments and measured at fair value in accordance with PAS 39.

As allowed by PFRS, on May 1, 2012, the Association reclassified the investments in bonds from AFS investments to HTM investments with an aggregate carrying value of P441.43 million as at reclassification date.

HTM investments reclassified from AFS securities have the following details:

### As at reclassification date

Face value	P341,200,000
Original acquisition cost	344,605,404
Net unamortized premium	2,588,893
Net unrealized gains	97,642,570
Fair value	441,431,463
Range of effective interest rates	2.21% - 5%

	April 30	
	2014	2013
Carrying value	P401,456,438	P421,750,173
Fair value	425,500,546	471,090,655
Net unrealized gains	62,845,331	77,961,278
Amortization of net premiums	20,293,735	19,681,291

The Association expects to recover 100% of principal and interest totaling P350.68 million as at the reclassification date. No impairment loss on the reclassified securities was recognized as of April 30, 2014 and 2013.

Had the investments in bonds been classified as AFS investments, net assets available for distribution to members as of April 30, 2014 and 2013 would be increased by P24.04 million and P49.34 million, respectively.

## 12. Property and Equipment

The composition of and movements in this account follow:

	2014					Total
	Condominium Units	Office Equipment	Furniture and Fixtures	Transportation Equipment	Office Improvements	
<b>Cost</b>						
Balance at beginning of year	P69,490,210	P5,245,717	P2,611,890	P5,164,485	P8,992,529	P91,504,831
Acquisition	-	411,965	1,076,794	840,000	-	2,328,759
Disposals	-	-	-	-	(16,000)	(16,000)
Balance at end of year	69,490,210	5,657,682	3,688,684	6,004,485	8,976,529	93,817,590
<b>Accumulated Depreciation and Amortization</b>						
Balance at beginning of year	13,236,231	3,282,161	1,505,719	2,539,070	6,877,648	27,440,829
Depreciation and amortization	1,654,529	587,500	321,696	458,345	845,713	3,867,783
Disposals	-	-	-	-	(16,000)	(16,000)
Balance at end of year	14,890,760	3,869,661	1,827,415	2,997,415	7,707,361	31,292,612
<b>Net Book Value at End of Year</b>	<b>P54,599,450</b>	<b>P1,788,021</b>	<b>P1,861,269</b>	<b>P3,007,070</b>	<b>P1,269,168</b>	<b>P62,524,978</b>

	2013					Total
	Condominium Units	Office Equipment	Furniture and Fixtures	Transportation Equipment	Office Improvements	
<b>Cost</b>						
Balance at beginning of year	₱69,490,210	₱4,639,723	₱2,406,196	₱5,164,485	₱8,992,529	₱90,693,143
Acquisition	-	745,319	205,694	-	-	951,013
Disposals	-	(139,325)	-	-	-	(139,325)
Balance at end of year	69,490,210	5,245,717	2,611,890	5,164,485	8,992,529	91,504,831
<b>Accumulated Depreciation and Amortization</b>						
Balance at beginning of year	11,581,702	2,889,121	1,223,745	2,101,721	6,031,934	23,828,223
Depreciation and amortization	1,654,529	503,661	281,974	437,349	845,714	3,723,227
Disposals	-	(110,621)	-	-	-	(110,621)
Balance at end of year	13,236,231	3,282,161	1,505,719	2,539,070	6,877,648	27,440,829
<b>Net Book Value at End of Year</b>	<b>₱56,253,979</b>	<b>₱1,963,556</b>	<b>₱1,106,171</b>	<b>₱2,625,415</b>	<b>₱2,114,881</b>	<b>₱64,064,002</b>

Depreciation and amortization, included under 'Operating expenses' in the statements of operations, consist of depreciation and amortization on:

	2014	2013
Property and equipment	<b>₱3,867,782</b>	₱3,723,227
Software costs (Note 13)	<b>1,700,243</b>	835,917
	<b>₱5,568,025</b>	₱4,559,144

As of April 30, 2014 and 2013, the gross amount of fully depreciated property and equipment still in use by the Association amounted to P1.64 million and P1.74 million, respectively.

### 13. Software Costs

The movements in this account follow:

	2014	2013
<b>Cost</b>		
Balance at beginning of year	<b>₱8,829,087</b>	₱8,370,433
Additions	<b>5,658,362</b>	458,654
Balance at end of year	<b>14,487,449</b>	8,829,087
<b>Accumulated Amortization</b>		
Balance at beginning of year	<b>5,435,750</b>	4,599,833
Amortization during the year	<b>1,700,243</b>	835,917
Balance at end of year	<b>7,135,993</b>	5,435,750
<b>Net Book Value at End of Year</b>	<b>₱7,351,456</b>	₱3,393,337

### 14. Investment Properties

The movements in this account follow:

	2014	2013
Balance at beginning of year	<b>₱93,534,332</b>	₱86,603,000
Increase in fair value	-	6,931,332
Balance at end of year	<b>₱93,534,332</b>	₱93,534,332

Total rent income earned from investment properties amounted to ₱4.84 million and ₱4.62 million in 2014 and 2013, respectively, which are included under 'Miscellaneous income'. Direct operating expenses related to investment properties amounted to ₱0.93 million and ₱1.20 million for 2014 and 2013, respectively, which are included under 'Investment expenses'.

## 15. Accounts Payable and Other Liabilities

This account consists of:

	2014	2013
Accounts payable and accrued expenses	P18,839,215	P25,377,358
Due to brokers	19,668,376	14,291,576
Investment fee payable (Note 17)	4,946,614	4,697,684
Withholding tax payable	4,800,249	3,468,658
Dividends to members	533,066	422,735
Others	761,366	597,038
	<b>P49,548,886</b>	<b>P48,855,049</b>

## 16. Maturity Profile of Assets and Liabilities

The following table presents the assets and liabilities by contractual maturity and settlement dates as of April 30, 2014 and 2013 (in thousands):

	2014			2013		
	Due Within One Year	Due Beyond One Year	Total	Due Within One Year	Due Beyond One Year	Total
<b>Financial Assets</b>						
Cash and cash equivalents	P581,707	P-	P581,707	P628,216	P-	P628,216
Short-term time deposit	-	-	-	28,100	-	28,100
Financial assets at fair value through profit or loss	291,990	-	291,990	82,310	-	82,310
Loans and receivables	666,916	303,299	970,215	138,324	199,406	337,730
AFS investments	1,965,925	1,853,670	3,819,595	263,843	4,564,991	4,828,834
Held-to-maturity investments	139,614	261,842	401,456	-	421,750	421,750
Long-term time deposits	-	68,350	68,350	-	48,350	48,350
	<b>3,646,152</b>	<b>2,487,161</b>	<b>6,133,313</b>	<b>1,140,793</b>	<b>5,234,497</b>	<b>6,375,290</b>
<b>Nonfinancial Assets</b>						
Property and equipment	-	93,818	93,818	-	91,505	91,505
Software costs	-	14,487	14,487	-	8,829	8,829
Investment properties	-	93,534	93,534	-	93,534	93,534
Other assets	-	85	85	-	2,812	2,812
	-	<b>201,924</b>	<b>201,924</b>	-	<b>196,680</b>	<b>196,680</b>
	<b>3,646,152</b>	<b>2,689,085</b>	<b>6,335,237</b>	<b>1,140,793</b>	<b>5,431,177</b>	<b>6,571,970</b>
Less: Allowance for credit losses	319	-	319	319	-	319
Accumulated depreciation and amortization	-	38,429	38,429	-	32,877	32,877
	<b>319</b>	<b>38,429</b>	<b>38,748</b>	<b>319</b>	<b>32,877</b>	<b>33,196</b>
	<b>P3,645,833</b>	<b>P2,650,656</b>	<b>P6,296,489</b>	<b>P1,140,474</b>	<b>P5,398,300</b>	<b>P6,538,774</b>
<b>Financial Liabilities</b>						
Accounts payable and other liabilities	P44,749	P-	P44,749	P45,386	P-	P45,386
Members' deposits	15,643	-	15,643	17,298	-	17,298
Benefits payable	-	-	-	7,894	-	7,894
	<b>60,392</b>	<b>-</b>	<b>60,392</b>	<b>70,578</b>	<b>-</b>	<b>70,578</b>
<b>Nonfinancial Liabilities</b>						
Contributions deposit	1,956	-	1,956	4,583	-	4,583
Withholding tax payable	4,800	-	4,800	3,469	-	3,469
	<b>6,756</b>	<b>-</b>	<b>6,756</b>	<b>8,052</b>	<b>-</b>	<b>8,052</b>
	<b>P67,148</b>	<b>P-</b>	<b>P67,148</b>	<b>P78,630</b>	<b>P-</b>	<b>P78,630</b>

## 17. Fund Management Agreements

The BOT entered into investment management agreements with BPI - Asset Management and Trust Group, MBTC - Trust Banking Group, BPI Odyssey (formerly ING - Trust Department), BDO - Private Bank and ATR. Under these agreements, a portion of the Association's funds, the amount of which shall be fixed by the BOT from time to time, is to be managed by the Investment managers under an investment management account.

As of April 30, 2014 and 2013, about 74% and 69%, respectively, of the Association's total fund investment is managed by the Investment Managers.

The Investment Managers are paid based on a certain percentage of net assets of the respective funds being managed. Expenses relating to management fees amounted to P10.20 million and P16.49 million in 2014 and 2013, respectively, which are included under 'Investment expenses' in the statements of operations.

## 18. Members' Equity

This account is composed of the accumulated employer and employee contributions plus reserve fund and credited earnings less payouts to the members as a result of retirement, repurchase, separation of service, death, earnings from fund and other claims by the members.

The Pls contribute reserve fund to members' contribution to cover any shortfall between the accumulated equity of each member and the retirement benefits required under the law.

Unidentified collections from members are temporarily lodged as part of 'Members' deposits' which are consequently reclassified to 'Members' contributions' or payments for multi-purpose loans.

### *Capital management*

The Association's objectives when managing capital are to increase the value of members' equity and maintain high growth by applying free cash flow to selective investments. The BOT sets strategies for the Association with the objective of establishing a versatile and resourceful financial management and capital structure.

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

The Association is not subject to externally-imposed capital requirement.

## 19. Deductions from Members' Equity

This account consists of:

	2014	2013
Retirement	<b>P265,661,337</b>	P197,753,057
Repurchase of plans	<b>122,097,771</b>	124,133,558
Payment of benefits from reserve fund	<b>97,105,208</b>	99,069,518
Deposit from benefit claims	<b>14,890,310</b>	9,002,220
Separation from service	<b>13,483,726</b>	14,699,055
Death benefits	<b>11,817,579</b>	7,048,172
Pension payouts	<b>376,533</b>	406,444
Disability	<b>240,420</b>	-
Other adjustments	<b>5,198,891</b>	4,836,048
	<b>P530,871,775</b>	P456,948,072

Other adjustments include outstanding loans of members that remain unpaid three months after the maturity of the loan. Members are notified as to the delinquency of their loan account. Outstanding balance, plus penalties if there are any, is deducted from the member's account.

## 20. General and Special Reserves

General reserves represent the balance of accumulated earnings that are available for distribution to members. Special reserves represent appropriation for specific purposes as may be determined by the BOT and as discussed below.

Special reserves represent appropriation for specific purposes as discussed below and are not available for distribution to members:

- a. Office transfer and computerization - appropriation to cover the related cost in transferring to the Association's present office space in Multinational Bancorporation and acquisition and development of computer system;
- b. Contingency - appropriation to cover unexpected losses or shortfall in the values of investments and to distribute incurred losses; and
- c. Other reserves - appropriation for any increase in fair valuation of the Association's investment properties.

Under Article VII - (*Earnings*), Section 1 of the PERAA Plan Agreement, the earnings of the fund shall be based on the return on investment (ROI) determined by the BOT at the end of each fiscal year.

- a. For members who have not yet applied for benefits, such earnings shall be added to the Plan; and
- b. For members or beneficiaries who have applied for benefits, such earnings will be paid in a single sum at the end of the fiscal year.

The BOT announced credited ROI of 1.06% for FY 2013-2014 and 10.02% for FY 2012-2013.

## 21. Leases

The Association leases out its investment properties for varying periods, which are renewable upon mutual agreement of the parties. The lease contracts do not include annual escalation clauses except for one contract which include annual escalation clause ranging from 5.00% to 10.00%. As of April 30, 2014 and 2013, the Association has no contingent rent receivable. Total rent income earned by the Association amounted to P2.92 million and P3.66 million in 2014 and 2013, respectively, which are included under 'Miscellaneous income'.

Future minimum rental receivables under operating leases follow:

	2014	2013
Within one year	<b>P2,993,225</b>	P3,350,077
After one year but not more than five years	-	196,875
	<b>P2,993,225</b>	<b>P3,546,952</b>

## 22. Operating Expenses

This account consists of:

	2014	2013
Salaries, wages and allowances (Note 23)	<b>P33,534,563</b>	P30,457,187
Depreciation and amortization (Note 12)	<b>5,568,026</b>	4,559,144
Social security costs and other employee benefits	<b>5,181,889</b>	3,921,389
Meetings and representation – BOT	<b>2,801,611</b>	795,812
Light and water	<b>1,885,847</b>	1,978,623
Professional fees	<b>1,600,730</b>	984,943
Communications	<b>1,599,062</b>	1,449,087
Repairs and maintenance	<b>1,469,745</b>	1,457,714
Meetings and representation	<b>1,079,089</b>	520,277
Medical and recreation	<b>1,046,189</b>	1,089,676
General meeting	<b>1,042,721</b>	1,579,847
Top Outstanding PERAA Member	<b>594,880</b>	449,459
Office supplies	<b>505,243</b>	183,509
Security services	<b>325,327</b>	348,292
Miscellaneous	<b>2,421,455</b>	1,998,790
	<b>P60,656,377</b>	<b>P51,773,749</b>

Meeting and representation - BOT expense in 2014 includes travel expenses for business meetings held abroad.

#### *Retirement benefits*

RA 7641 requires provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided, however, that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than provided under the law. The law does not require minimum funding of the plan.

The Association established a defined contribution retirement plan for the benefit of its eligible member-employees, to be administered under and in accordance with the Plan. Members of the retirement plan shall contribute 4% of their current basic monthly compensation; the Association shall add 4% of each member's current monthly compensation as its contribution. Members have the option to make additional contributions at a rate not exceeding that of the Association's contribution.

As of April 30, 2014 and 2013, the Association's DC obligation is higher than the projected DB obligation. Consequently, there is no DB liability as of both dates.

Retirement expense recognized by the Association under a defined DC retirement plan amounted to ₱2.46 million and ₱2.47 million in April 30, 2014 and 2013, respectively. The employee's retirement fund is invested with PERAA.

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### **23. Related Party Transactions**

Compensation of key management personnel

Compensation of the Association's key management personnel is as follows:

	2014	2013
Short-term benefits	<b>₱14,511,745</b>	₱15,995,606
Retirement contributions	<b>480,190</b>	493,574
	<b>₱14,991,935</b>	₱16,489,180

n benefits and retirement contributions are included under 'Salaries, wages and allowances'.

#### *Loans to members*

The Association offers multi-purpose loans to its qualified members with terms ranging from 12 to 36 months. Multi-purpose loans amounted to ₱122.36 million and ₱100.91 million as of April 30, 2014 and 2013, respectively. Multi-purpose loans earn interest ranging from 3.28% to 6.62% in 2014 and 2013, respectively. A 1.50% service fee is charged by the Association for every loan released and a penalty is imposed which is equivalent to 1/10 of 1.00% of any unpaid monthly amortization for each day of delay. Service charges and penalties from multi-purpose loans are included under 'Miscellaneous income'.

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### **24. Note to Statements of Cash Flows**

The statements of cash flows include non-cash items pertaining to delinquent multi-purpose loans recognized under 'Loans and receivables' and 'Deductions from members' equity' amounting to ₱6.01 million and nil as of April 30, 2014 and 2013, respectively.

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### **25. Contingencies**

There are contingent liabilities that arise in the normal course of the Association's operations which are not reflected in the accompanying financial statements. As of April 30, 2014 and 2013, management is of the opinion that losses, if any, from these commitments and contingencies will not have a material effect on the Association's financial statements.

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### **26. Approval for the Release of Financial Statements**

The accompanying comparative financial statements of the Association were authorized for issue by the BOT on August 20, 2014.

# The Top 100 Participating Institutions

BASED ON ACCUMULATED VALUE AS OF APRIL 30, 2014

1. John B. Lacson Colleges Foundation  
Iloilo City
2. Ateneo de Davao University  
Davao City
3. Xavier University  
Cagayan de Oro City
4. University of the Cordilleras  
Baguio City
5. Cebu Institute of Technology  
Cebu City
6. Ateneo De Zamboanga University  
Zamboanga City
7. Jose Rizal University  
Mandaluyong City
8. Colegio San Agustin  
Makati City
9. Philippine Christian University  
Malate, Manila
10. University of Nueva Caceres  
Naga City
11. Technological Institute of the Philippines  
Quiapo, Manila
12. University of Baguio  
Baguio City
13. University of the Assumption  
San Fernando City, Pampanga
14. University of St. La Salle  
Bacolod City
15. Claret School  
Quezon City
16. Angelicum College, Inc.  
Quezon City
17. East Asia Educational Foundation, Inc.  
Sampaloc, Manila
18. Holy Cross of Davao College  
Davao City
19. Wesleyan University-Philippines  
Cabanatuan City
20. San Pedro College, Inc.  
Davao City
21. St. Joseph's College  
Quezon City
22. Father Saturnino Urios University  
Butuan City
23. Siena College  
Quezon City
24. Holy Angel University  
Angeles City
25. University of Batangas  
Batangas City
26. Sacred Heart School-  
Ateneo de Cebu, Inc.  
Mandaue City
27. Philippine College of Criminology  
Sta. Cruz, Manila
28. Iloilo Doctors' College  
Iloilo City
29. National College of Business  
and Arts  
Quezon City
30. Elizabeth Seton School  
Las Piñas City
31. Central Colleges of the Philippines  
Quezon City
32. Southern Christian College  
Midsayap, North Cotabato
33. Lorma Colleges  
San Fernando City, La Union
34. Siena College of Taytay  
Taytay, Rizal
35. Brent School, Inc.  
Baguio City
36. University of Saint Anthony  
Iriga City
37. Center for Educational Measurement  
Makati City
38. St. Paul University Quezon City  
Quezon City
39. Private Education Retirement  
Annuity Association  
Makati City
40. Assumption Antipolo, Inc.  
Antipolo, Rizal
41. Misamis University  
Ozamiz City
42. Holy Family Academy  
Angeles City
43. De La Salle-Araneta University  
Malabon City
44. Trinity University of Asia, Inc.  
Quezon City
45. Saint Joseph College  
Maasin, Southern Leyte
46. Republic Central Colleges  
Angeles City
47. Baliuag University  
Baliuag, Bulacan
48. General De Jesus College  
San Isidro, Nueva Ecija
49. University of Pangasinan  
Dagupan City
50. University of Southern Philippines  
Cebu City
51. College of the  
Immaculate Conception  
Cabanatuan City



- |  |  |  |
|--|--|--|
| 52. De La Salle John Bosco College, Inc.<br>Bislig City                        | 69. Aklan Catholic College, Inc.<br>Kalibo, Aklan                                  | 85. Holy Trinity University, Inc.<br>Puerto Princesa City                  |
| 53. Colegio De Dagupan, Inc.<br>Dagupan City                                   | 70. Liceo de Cagayan University, Inc.<br>Cagayan de Oro City                       | 86. Harris Memorial College<br>Taytay, Rizal                               |
| 54. Asia Pacific Technology and<br>Educational Foundation, Inc.<br>Makati City | 71. St. Columban College<br>Pagadian City  | 87. St. Michael's College of Laguna<br>Biñan, Laguna                       |
| 55. Brokenshire College<br>Davao City  | 72. Febias College of Bible<br>Valenzuela City                                     | 88. Rizal Memorial Colleges<br>Davao City                                  |
| 56. Sto. Niño Parochial School<br>Quezon City                                  | 73. Union Christian College<br>San Fernando City, La Union                         | 89. University of Manila<br>Sampaloc, Manila                               |
| 57. St. Vincent's College<br>Dipolog City                                      | 74. Infant Jesus Academy<br>Marikina City  | 90. St. Agnes Academy<br>Legaspi City                                      |
| 58. Maria Montessori Children's School<br>Foundation, Inc.<br>Parañaque City   | 75. Holy Trinity College of General Santos<br>City<br>General Santos City          | 91. Filamer Christian University<br>Roxas City                             |
| 59. Velez College<br>Cebu City   | 76. Asian Social Institute<br>Malate, Manila                                       | 92. Ormoc Educational Corporation<br>(Western Leyte College)<br>Ormoc City |
| 60. University of Luzon, Inc.<br>Dagupan City                                  | 77. Samson College of Science and<br>Technology, Inc.<br>Quiapo, Manila            | 93. Davao Doctors' College<br>Davao City                                   |
| 61. Jubilee Christian Academy<br>Quezon City                                   | 78. Our Lady of the Sacred Heart College<br>of Guimba, Inc.<br>Guimba, Nueva Ecija | 94. St. Thomas Academy<br>Santo Tomas, Batangas                            |
| 62. Assumption Iloilo, Inc.<br>Iloilo City                                     | 79. Assumption College<br>of Davao, Inc.<br>Davao City                             | 95. Southern Mindanao Colleges<br>Pagadian City                            |
| 63. University of Cebu, Inc.<br>Cebu City                                      | 80. Ateneo de Iloilo, Inc.<br>Iloilo City  | 96. Holy Cross Colleges, Inc.<br>Santa Ana, Pampanga                       |
| 64. Sisters of Mary of Banneux, Inc.<br>Silang, Cavite                         | 81. Universidad de<br>Sta. Isabel de Naga, Inc.<br>Naga City                       | 97. Good Shepherd Christian School<br>Mandaluyong City                     |
| 65. Southwestern University<br>Cebu City                                       | 82. Dansalan College<br>Marawi City  | 98. Systems Plus College Foundation<br>Angeles City                        |
| 66. De Ocampo Memorial College<br>Sampaloc, Manila                             | 83. Tomas Del Rosario College, Inc.<br>Balanga, Bataan                             | 99. Cebu Doctors' College of Arts and<br>Sciences<br>Mandaue City          |
| 67. Dominican College<br>San Juan City   | 84. Dominican School (Manila), Inc.<br>Sampaloc, Manila                            | 100. Colegio Del Sagrado<br>Corazon De Jesus<br>Iloilo City                |

# The 2014 Honorary Awardees

## PLATINUM AWARD (P50 Million A.V.)

1. East Asia Educational Foundation, Inc.  
Sampaloc, Manila
3. Maria S. Malnawan  
Brent School, Inc.
16. Wilson C. Ilovino  
Jose Rizal University
4. Susana A. Tan  
Cebu Institute of Technology
17. Evelina L. Glori  
Jose Rizal University

## MEGA CIRCLE (P10 Million A.V.)

1. St. Paul University Surigao  
Surigao City
5. Gretchen L. Tormis  
Cebu Institute of Technology
18. Myrna M. De La Cruz  
San Pedro College, Inc.
2. MGC New Life Christian Academy, Inc.  
Taguig City
6. Alexander Franco A. Delantar  
Cebu Institute of Technology
19. Sergio V. Opeña  
San Pedro College, Inc.

## MILLIONAIRES CLUB (P1 Million A.V.)

1. Siena School of Naga  
Naga , Cebu
9. Yolanda P. Chan  
Colegio San Agustin
22. Elisa P. Bernardo  
United Doctors Medical Center  
College of Nursing
2. Cor Jesu College, Inc.  
Digos City
10. Ma. Luisa M. Beltran  
Colegio San Agustin
23. Herminio C. Bautista  
University of Baguio
3. Bridge Auxilliary Finance Corporation  
Baguio City
11. Editha R. Libut  
Colegio San Agustin
24. Florencio V. Reyes  
University of Batangas
4. Holy Family Academy  
Pilar, Sorsogon
12. Ruvic D. Fule  
Colegio San Agustin
25. Leon B. Palmiano IV  
University of Nueva Caceres

## PRESTIGE CLASS (P1 Million Employee's A.V.)

1. Jose Flavio F. Castillo  
Asia Pacific Technology and Educational Foundation, Inc.
14. Marlene M. Moreto  
Father Saturnino Urios University
26. Vilma E. Sebello  
University of Nueva Caceres
2. Name Withheld  
Ateneo De Zamboanga University
15. Edmundo Q. Pragados  
John B. Lacson Colleges Foundation
27. Charlie B. Lamsis  
University of the Cordilleras

# Institutional Awards, 2013

## OUTSTANDING PARTICIPATING INSTITUTIONS (OPI)

### (The) Outstanding Participating Institution

#### EAST ASIA EDUCATIONAL FOUNDATION, INC.

Sampaloc, Manila  
 Membership Effectivity: June 1995  
 President: Dr. Michael M. Alba

### First Runner-up

#### TECHNOLOGICAL INSTITUTE OF THE PHILIPPINES

Quiapo, Manila  
 Membership Effectivity: June 1978  
 President: Dr. Elizabeth Q. Lahoz

### Second Runner-up

#### NAGA PAROCHIAL SCHOOL

Naga City  
 Membership Effectivity: September 1974  
 Director: Rev. Fr. Rex Andrew C. Alarcon

NAGA PAROCHIAL SCHOOL, Naga City represented by Fr. Rex Andrew C. Alarcon, Director (2nd from L); EAST ASIA EDUCATIONAL FOUNDATION, INC., Sampaloc, Manila represented by Ms. Edna M. Anicete, Senior Director for Finance (3rd from L) with Dr. Reynaldo C. Bautista, Vice Chairman/Trustee at-large (extreme L) and Ms. Bernadette M. Nepomuceno, PERAA President (extreme R)



### CRITERIA

- Up-to date employer contribution for the last five years
- Increase in Gross Contribution
- Five-Year Average Increase in Gross Contribution
- Increase in New Employees
- Five-Year Average Increase in Accumulated Value
- High Per Capita Value
- At least 50 employees based on last PRL
- At least Php 5 million Accumulated Value

## PLATINUM AWARD (P50 MILLION A.V.)



HOLY CROSS OF DAVAO COLLEGE, Davao City represented by Sr. Ma. Teresita V. Salang, TDM, Vice-President for Finance/Corporate Treasurer (center) with Dr. Reynaldo C. Bautista, Vice Chairman/Trustee at-large (L) and Ms. Bernadette M. Nepomuceno, PERAA President (R)

## MEGA CIRCLE (P10 MILLION A.V.)



(L-R) IMMACULATE HEART OF MARY ACADEMY, Mati, Davao Oriental represented by Sr. Regina R. Villarte, MIC, Directress; LORENZO RUIZ DE MANILA SCHOOL, Cainta, Rizal represented by Ms. Christine Vicente, Finance Officer; SAINT GREGORY ACADEMY, Indang, Cavite represented by Fr. Lino N. De Castro, Principal; ST. JOSEPH SCHOOL OF SAN JOSE CITY NUEVA ECIJA, INC., San Jose City represented by Rev. Fr. Ronald Rhoel T. Ocampo, School Director; SAINT LOUIS SCHOOL, Dumaguete City represented by Rev. Fr. Norman Broderick Segovia, SDB, School Administrator with Dr. Vicente K. Fabella, Treasurer/Trustee from NCR (extreme L) and Dr. Karen Belina F. De Leon, Trustee at-large (extreme R)

**MULTI-MILLIONAIRES CLUB (P5 MILLION A.V.)**



EDNA'S SCHOOL, Dagupan City represented by Ms. Maria Edna Soledad T. Gonzales-Blancaflor, Academic Director/COO (center) with Dr. Ben S. Malayang III, Trustee at-large (L) and Fr. Roberto C. Yap, SJ, Trustee at-large (R)

**MILLIONAIRES CLUB (P1 MILLION A.V.)**



(L-R) TAÑON COLLEGE, San Carlos City represented by Ms. Alice T. Algame, Finance Officer; SOUTH CITY HOMES ACADEMY, Biñan, Laguna represented by Mr. Enrico G. Manalo, Administrator; PANPACIFIC UNIVERSITY NORTH PHILIPPINES, Urdaneta, Pangasinan represented by Dr. Rhonda T. Padilla, President; MERCEDARIAN SCHOOL, INC., represented by Sr. Evelyn N. Llanto, MMB, School Principal; MARYMOUNT CHILD DEVELOPMENT CENTER, INC., Quezon City represented by Dr. Editha R. Maniago, President/School Head; L'ALTRA MONTESSORI SCHOOL, INC., Angeles City represented by Ms. Segundina M. Tuquero, Chairman of the Board/Managing Director; IMMACULATE CONCEPTION ARCHDIOCESAN SCHOOL DE CALARIAN, Zamboanga City represented by Ms. Dolores R. Cruz, Principal with Dr. Patricia Bustos-Lagunda, Trustee at-large (extreme L) and Bro. Raymundo B. Suplido, FSC, Trustee at-large (extreme R)

**INTERMISSION NUMBERS**

Sisters of Mary School-Girlstown Students



**EMCEES**

MR. CHRISTOPHER A. BUSQUIT & MS. JELBETH NAVARROZA  
Sisters of Mary School-Girlstown



# Individual Members' Awards, 2013

## PRESTIGE CLASS (P1 MILLION EMPLOYEE'S A.V.)



(L-R) MS. FLODELIZA A. CASTRO and MS. MONINA B. SANTOS, Baliuag University, Baliuag, Bulacan represented by Dr. Patricia Bustos-Lagunda; MS. EUFROSINA P. MINES, Assumption College of Davao, Inc., Davao City and MR. JIMMIE-LOE P. DELA VEGA, Davao Association of Catholic Schools, Inc., Davao City represented by Sr. Aurea E. Quiñones, M.A.; MS. VENUS F. ROSELLO, Ateneo de Davao University, Davao City represented by Mr. Jimmy E. Delgado; MR. ROSELLER D. DEL MUNDO, Ateneo De Zamboanga University, Zamboanga City; MS. TERESITA G. MONTAÑO, Ateneo de Zamboanga University, Zamboanga City represented by Ms. Sandrita B. Del Mundo; MS. EDNA M. ANICETE, East Asia Educational Foundation, Inc., Sampaloc, Manila; MR. MARIO ROMUALDO C. SEQUIO, John B. Lacson Colleges Foundation, Iloilo City represented by Mr. Cicero D. Ortizo; MS. JOSEPHINE B. CULALA also representing MS. MA. ADELINA M. ARUCAN, MS. CAROL S. AMADA, MS. CATALINA C. MAGLALANG and MR. MOISES C. ORTEGA, Jose Rizal University, Mandaluyong City represented by Ms. Carolina A. Fernandez; PROF. DENIA R. GONZALES, Philippine Christian University, Taft Avenue, Manila; MR. OSCAR P. JEREZA, JR., University of Southern Philippines, Cebu City represented by Ms. Lourdes D. Jereza; DR. KAREN BELINA F. DE LEON, Misamis University, Ozamiz City with Dr. Patricia Bustos-Lagunda, Trustee for Luzon (extreme L) and Fr. John Christian U. Young, Trustee from Mindanao (extreme R)

## TOPM FINALISTS



### TEACHING LEVEL A

(L-R) MARILOU M. SAONG, University of Baguio, Baguio City; CHARLEMAGNE G. LAVIÑA, Technological Institute of the Philippines, Quiapo, Manila; ROLANDO A. ALIMEN, John B. Lacson Foundation Maritime University, Iloilo City; JOCELYN MAY FLOR A. CADENA, University of St. La Salle, Bacolod City; BRYANT C. ACAR, University of Southern Philippines, Cebu City



### TEACHING LEVEL B

(L-R) CAROLINA P. SANGGA, Technological Institute of the Philippines, Quezon City; AMELIA N. VICENTE, Lorma Colleges, San Fernando City, La Union; NELSON S. LACADIN, Northern Christian College, Laoag City; MARIE ROSELLYNN C. ENGUITO, Misamis University, Ozamiz City; MELANIE O. JUNIO, University of the Assumption, San Fernando City, Pampanga



### ADMINISTRATIVE LEVEL

(L-R) RHODERICK K. SAMONTE, University of St. La Salle, Bacolod City; WAYNE V. TEJANO, Lorma Colleges, San Fernando City, La Union; SANDRA LYN Q. QUIÑONES, Southern Christian College, Midsayap, North Cotabato; FROILAN C. ASPA, University of Baguio, Baguio City; CICERO D. ORTIZO, John B. Lacson Foundation Maritime University, Iloilo City



### ADMINISTRATIVE STAFF

(L-R) RODRIGO O. ROBLE, JR, San Pedro College, Inc., Davao City; RAYMUND BENEDICK C. BRILLANTES, John B. Lacson Foundation Maritime University, Iloilo City; JACQUELINE G. HERNANDEZ, University of Baguio, Baguio City; VIOLY FERNANDA Y. SANTOS, University of the Assumption, San Fernando City, Pampanga; JOSE FRANCIS I. MAINGGANG, Lorma Colleges, San Fernando City, La Union

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(For Corporate Business)

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(For Labor Relations)



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