CARD-MRI Development Institute, Inc.
(A Nonstock, Not-for-Profit Association)

Audited Financial Statements
December 31, 2019 and 2018

and

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
CARD-MRI Development Institute, Inc.
(A Nonstock, Not-for-Profit Association)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of CARD-MRI Development Institute, Inc. (A Nonstock, Not-for-Profit Association) (the Association), which comprise the statements of assets, liabilities and fund balance as at December 31, 2019 and 2018, and the statements of revenue and expense, statements of comprehensive income, statements of changes in fund balance and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 22 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of CARD-MRI Development Institute, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Miguel U. Ballelos, Jr

Miguel U. Ballelos, Jr
Partner
CPA Certificate No. 109950
SEC Accreditation No. 1566-A (Group A)
April 3, 2019, valid until April 2, 2022
Tax Identification No. 241-031-088
BIR Accreditation No. 08-001998-114-2019,
January 28, 2019, valid until January 27, 2022
PTR No. 8125210, January 7, 2020, Makati City

June 29, 2020

CARD-MRI DEVELOPMENT INSTITUTE, INC.
(A Nonstock, Not-for-Profit Association)

STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE

	December 31	
	2019	2018
ASSETS		
Current Assets		
Cash in banks (Note 6)	**₱90,660,886**	₱65,589,364
Financial investments at amortized cost (Note 7)	**236,718,515**	208,548,009
Receivables (Note 8)	**18,994,410**	56,603,985
Other current assets (Note 9)	**13,361,221**	5,011,740
	359,735,032	335,753,098
Noncurrent Assets		
Receivables (Note 8)	**3,058,333**	1,537,500
Financial investments:		
At amortized cost (Note 7)	**30,000,000**	30,000,000
At fair value through other comprehensive income (Note 7)	**7,148,163**	8,660,322
Investments in associates (Notes 10 and 19)	**935,276**	475,999
Property and equipment (Note 11)	**229,568,820**	119,097,327
Software costs (Note 12)	**3,240,837**	3,266,785
Retirement asset (Note 18)	**6,297,117**	11,045,205
Other noncurrent assets (Note 17)	**4,713,199**	3,392,718
	284,961,745	177,475,856
TOTAL ASSETS	**₱644,696,777**	₱513,228,954
LIABILITIES AND FUND BALANCE		
Current Liabilities		
Accounts payable and accrued expenses (Note 13)	**₱18,161,741**	₱18,238,240
Lease liabilities (Note 17)	**3,533,255**	373,735
	21,694,996	18,611,975
Noncurrent Liabilities		
Accounts payable (Note 13)	**131,993,070**	110,069,544
Lease liabilities (Note 17)	**3,072,482**	–
	135,065,552	110,069,544
	156,760,548	128,681,519
Fund Balance		
General fund	**421,732,718**	333,327,389
Restricted fund	**58,422,085**	36,320,754
Remeasurement gain on retirement plan (Note 18)	**5,710,163**	10,612,870
Net unrealized gains on financial assets at fair value through other comprehensive income (Note 7)	**2,071,263**	4,286,422
	487,936,229	384,547,435
TOTAL LIABILITIES AND FUND BALANCE	**₱644,696,777**	₱513,228,954

See accompanying Notes to Financial Statements.

CARD-MRI DEVELOPMENT INSTITUTE, INC.

(A Nonstock, Not-for-Profit Association)

STATEMENTS OF REVENUE AND EXPENSE

	Years Ended December 31	
	2019	2018
REVENUE		
Seminars and trainings	**₱273,781,460**	₱245,246,515
Senior high tuition and other school fees	**22,783,450**	12,557,783
Tertiary tuition and other school fees	**30,071,082**	13,477,370
	326,635,992	271,281,668
Cost of seminars, trainings and other programs (Note 14)	**148,145,810**	147,830,029
Senior high school expenses (Note 15)	**37,779,617**	28,784,203
Tertiary expenses (Note 16)	**26,927,873**	16,999,089
	212,853,300	193,613,321
Gross revenue	**113,782,692**	77,668,347
Donations and contributions	**15,077,171**	35,000,000
Interest income (Notes 6 and 7)	**14,250,695**	7,599,352
Dividend income (Notes 7)	**1,977,890**	2,051,053
Facilities fee	**991,179**	698,323
Share in net income from investment in associates (Note 10)	**159,282**	275,999
Other school fees	**4,226,545**	10,401,069
	150,465,454	133,694,143
ADMINISTRATIVE EXPENSES		
Compensation and employee benefits (Notes 18)	**9,238,165**	5,834,942
Program monitoring and meetings	**8,539,561**	7,009,729
Depreciation expense (Note 11)	**4,967,035**	769,514
Staff training and development	**4,927,753**	5,201,455
Provision for credit losses (Note 8)	**2,654,645**	79,588
Taxes and licenses	**1,788,395**	554,155
Management and professional fees	**1,390,567**	2,153,241
Supplies and materials	**1,388,155**	944,778
Information technology	**1,056,668**	883,502
Transportation and travel	**907,800**	4,028,886
Interest expense from lease liabilities (Note 17)	**378,495**	193,877
Others	**2,271,555**	2,568,786
	39,958,794	30,222,453
EXCESS OF REVENUE OVER EXPENSES	**₱110,506,660**	₱103,471,690

See accompanying Notes to Financial Statements.

CARD-MRI DEVELOPMENT INSTITUTE, INC.
(A Nonstock, Not-for-Profit Association)

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2019	2018
EXCESS OF REVENUE OVER EXPENSES	**₱110,506,660**	₱103,471,690
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive income (loss) not recycled to profit or loss in subsequent periods		
Change in remeasurement gain (loss) on retirement plan (Note 18)	**(4,902,707)**	1,145,157
Change in net unrealized gain financial assets at other comprehensive income (Note 7)	**(2,215,159)**	(437,390)
	(7,117,866)	707,767
TOTAL COMPREHENSIVE INCOME	**₱103,388,794**	₱104,179,457

See accompanying Notes to Financial Statements.

CARD-MRI DEVELOPMENT INSTITUTE, INC.
(A Nonstock, Not-for-Profit Association)

STATEMENTS OF CHANGES IN FUND BALANCE

	General Fund	Restricted Fund (Note	Remeasurement Gains on Retirement Plan (Note 18)	Net Unrealized Gains (Losses) on Financial Assets at Fair Value through Other Comprehensive Income (Note 7)	Total
Balances at January 1, 2019 as restated	**₱333,327,389**	**₱36,320,754**	**10,612,870**	**4,286,422**	**384,547,435**
Appropriations during the year	**(22,101,331)**	**22,101,331**	**–**	**–**	**–**
Total comprehensive income for the year	**110,506,660**	**–**	**(4,902,707)**	**(2,215,159)**	**103,388,794**
Balance at December 31, 2019	**₱421,732,718**	**₱58,422,085**	**₱5,710,163**	**₱2,071,263**	**₱487,936,229**
Balances at January 1, 2018	252,448,729	13,727,724	9,467,713	4,723,812	280,367,978
Appropriations during the year	(22,593,030)	22,593,030	–	–	–
Total comprehensive income for the year	103,471,690	–	1,145,157	(437,390)	104,179,457
Balance at December 31, 2018	₱333,327,389	₱36,320,754	₱10,612,870	₱4,286,422	₱384,547,435

See accompanying Notes to Financial Statements.

CARD-MRI DEVELOPMENT INSTITUTE, INC.
(A Nonstock, Not-for-Profit Association)

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses	**₱110,506,660**	₱103,471,690
Adjustments for:		
Income recognized from reversal of funds held in trust (Note 20)	**(129,131,337)**	(28,577,349)
Depreciation and amortization expense (Notes 11 and 12)	**26,723,524**	19,135,799
Interest income (Notes 6 and 7)	**(14,250,695)**	(7,599,352)
Dividend income (Note 7)	**(1,977,890)**	(2,051,053)
Provision for credit losses (Note 8)	**2,654,645**	79,588
Interest expense from lease liabilities (Note 17)	**378,495**	790,302
Net retirement expense (Note 18)	**161,354**	483,235
Share in net income of associates (Note 10)	**(159,283)**	(258,820)
Loss on disposal of transportation equipment (Note 11)	**–**	3,600
Operating income (loss) before working capital changes	**(5,094,527)**	85,477,640
Changes in operating assets and liabilities:		
Decrease (increase) in the amounts of:		
Receivables	**37,886,314**	(46,826,313)
Other current assets	**(9,270,421)**	(3,779,130)
Increase (decrease) in the amounts of		
Accounts payable and accrued expenses	**(5,158,314)**	3,473,571
Net cash generated from operations	**18,363,052**	38,345,768
Interest received	**9,798,478**	5,562,411
Dividends received	**1,274,890**	2,051,053
Contributions to retirement fund (Note 18)	**(315,973)**	(102,886)
Interest paid	**–**	(596,425)
Net cash provided by operating activities	**29,120,447**	45,259,921
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for:		
Purchase on financial investments at amortized cost	**(601,757,249)**	(208,548,009)
Acquisitions of property and equipment	**(121,413,770)**	(38,394,641)
Acquisitions of software license (Note 12)	**(851,684)**	(3,187,007)
Proceeds from:		
Maturity of financial investments at amortized cost	**573,586,743**	137,861,523
Net cash used in investing activities	**(150,435,960)**	(112,268,134)
CASH FLOWS FROM FINANCING ACTIVITY		
Receipt of funds held in trust (Note 20)	**151,225,965**	64,013,261
Payments of finance lease (Note 17)	**(4,838,930)**	(2,148,291)
Net cash provided by financing activities	**146,387,035**	61,864,970
NET INCREASE (DECREASE) IN CASH IN BANKS	**25,071,522**	(5,143,243)
CASH IN BANKS AT BEGINNING OF YEAR	**65,589,364**	70,732,607
CASH IN BANKS AT END OF YEAR (Note 6)	**₱90,660,886**	₱65,589,364

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

1. General Information

CARD-MRI Development Institute, Inc. (the Association), is a nonstock, not-for-profit association incorporated in the Philippines on April 21, 2005. The Association was organized to provide courses of study in microfinance development (non-degree technical courses) or other similar courses subject to the laws of the Philippines.

The Association's permit to operate as a tertiary education was granted by the Commission on Higher Education (CHED) on May 28, 2015. It started to operate as a tertiary education institute offering Bachelor of Science in Entrepreneurship with specialization in Microfinance on August 5, 2015.

The Association started to offer senior high school; Accountancy, Business and Management and Information and Communication Technology strands in June 2016.

Being a nonstock and not-for-profit educational institution, the Association falls under Section 30 (h) of the Tax Reform Act of 1997 and as such, income from activities in pursuit of the purpose for which the Association was organized is exempt from income tax. The Association renewed its Philippine Council for NGO Certification accreditation on July 27, 2017 and had been granted a five-year certification for donee institution status.

The Association is part the of Center for Agriculture and Rural Development - Mutually Reinforcing Institutions (CARD-MRI).

The Association's principal office is located at Brgy. Tranca, Bay, Laguna. Based on the provisions of Republic Act No. 11232, otherwise known as "An Act Providing for the Revised Corporation Code of the Philippines," the Association has a perpetual existence.

2. Summary of Significant Accounting Policies

Basis of Preparation
The accompanying financial statements have been prepared on a historical cost basis, except for financial assets through other comprehensive income (FVOCI), which are all carried at fair value. The financial statements are presented in Philippine Peso (₱), the functional currency of the Association and all values are rounded to the nearest peso except when otherwise indicated.

Statement of Compliance
The Association's financial statements have been prepared in accordance with the 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 that the Association has adopted the following new accounting pronouncements starting January 1, 2019. The adoption of the new and amended standards and interpretations did not have any impact on the financial statements unless otherwise indicated.

- *PFRS 16, Leases*
  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset or ROU asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the ROU asset.

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the ROU asset. Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases. PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

  Association as a lessor
  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 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 substantial change to the asset.

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

  Association as a lessee
  The Association adopted PFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, the Association applied PFRS 16 retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The Association elected to use the transition practical expedient to no longer reassess whether a contract is, or contains, a lease at January 1, 2019. Instead, the Association applied PFRS 16 only to contracts that were previously identified as leases applying PAS 17 and Philippine Interpretation IFRIC 4 at January 1, 2019

  The Association recognize its rights of use and obligations under finance leases as assets and liabilities in its statement of assets, liabilities and fund balance at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, determined at the inception of the lease.

  Payments for finance lease liability are apportioned between interest expense and reduction of outstanding liability.

Refer to the significant accounting policies prior to and beginning January 1, 2019.

The effect of adoption of PFRS 16 as at January 1, 2019 is as follows:

	Increase (decrease)
Assets	
Property and equipment (Note 11)	₱5,363,350
Advance Rental (Note 17)	(77,368)
Liabilities	
Lease liabilities (Notes 17)	5,285,982

Upon adoption of PFRS 16, the Association applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets.
Based on the above, as at January 1, 2019:

- Property and equipment were recognized amounting to ₱5.36 million representing the amount of right-of-use assets set up on transition date.
- Additional lease liabilities of ₱5.29 million were recognized.
- Advance rental of ₱0.08 million related to the excess of face value over present value on related security deposits were derecognized.

As of January 1, 2019, the incremental borrowing rate applied by the Association to the lease liabilities is 7.12%. The lease liability as at January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018 as follows:

Operating lease commitments as at December 31, 2018	₱10,521,027
Leases of short-term and low-value assets commitments as at December 31, 2018	(3,970,525)
Total gross lease payments as of January 1, 2019	6,550,502
Incremental borrowing rate	7.12%
Lease liabilities as at January 1, 2019	₱5,285,982

The adoption of the interpretation did not have significant impact on the Association’s financial statements as the Association.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

Significant Accounting Policies

Current versus Noncurrent Classification

The Association presents assets and liabilities in the statements of assets, liabilities and fund balance based on current/noncurrent classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when it is:
- Expected to be settled in normal operating cycle;
- Held primarily for the purpose of trading;
- Due to be settled within twelve months after the reporting period; or
- Not subject to unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as noncurrent.

Fair Value Measurement

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.

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

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 of input that is significant to the fair value measurement as a whole:

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

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Association determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period (see Note 4).

Management determines the policies and procedures for recurring fair value measurement.

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Association's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

For the purpose of fair value disclosures, the Association has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above (see Note 5).

<u>Financial Instruments - Initial Recognition and Subsequent Measurement</u>

Date of recognition

Financial instruments are any contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are recognized in the statement of assets, liabilities and fund balance when the Association becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date.

'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 profit or loss unless it qualifies for recognition as some other type of asset. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Association determines the appropriate method of recognizing the 'Day 1' difference amount.

Initial recognition and measurement of financial instruments

All financial instruments are initially recognized at transaction price (including transaction costs except in the initial measurement of financial instruments at fair value through profit or loss (FVPL). The Association classifies its financial assets as financial assets at FVPL, financial assets at FVOCI, and financial assets at amortized cost while financial liabilities are classified as financial liabilities measured at FVPL and financial liabilities at amortized cost. The classification of financial assets depends on the contractual terms and the business model for managing the financial assets. Subsequent to initial recognition, the Association may reclassify its financial assets only when there is a change in its business model for managing these financial assets. Reclassification of financial liabilities is not allowed.

The Association determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Association's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios. As a second step of its classification process, the Association assesses the contractual terms of financial assets to identify whether they pass the contractual cash flows test or solely payments of principal and interest (SPPI) test.

The Association has no financial instruments at FVPL as at December 31, 2019 and 2018.

Financial assets and liabilities at amortized cost
Financial assets at amortized cost are financial assets that meet both of the following conditions: (i) these are held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows; and (ii) the contractual terms give rise on specified dates to cash flows that are SPPI on the outstanding principal amount.

Financial assets instruments that meet the conditions above are measured at amortized cost using the effective interest method. For financial assets measured at amortized cost, impairment is assessed at every reporting period.

The Association's financial assets at amortized cost are presented in the statement of assets, liabilities and fund balance as cash and cash equivalents, time deposits under financial investments at amortized cost, receivables, and prepaid subscription under 'other current assets'.

Cash in banks
Cash in banks represent demand, savings and time deposits that earn interest at the respective Association deposit rates.

Short-term Investments
Short-term investments under 'financial investments at amortized cost' represent time deposits with tenor of three (3) to twelve (12) months from date of acquisition to date of maturity.

Long-term Investments
Long-term investments under 'financial investments at amortized cost' represent time deposits with tenor of more than twelve (12) months from date of acquisition. The Association's long-term investment includes time deposit with tenor of five (5) years.

Classified under financial liabilities measured at amortized cost are the Association's accounts payable and accrued expense in the statement of financial position.

Financial assets at FVOCI - equity investments
At initial recognition, the Association can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Association for trading. The Association has designated its unquoted equity instruments as at FVOCI on initial application of PFRS 9 as these are not held for trading purposes.

These financial assets are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income. When the asset is disposed of, the cumulative gain or loss previously recognized in the net losses on investment securities account is not reclassified to profit or loss, but is reclassified directly to ‘Fund Balance’ account. Any dividends earned on holding these equity instruments are recognized in statements of revenue and expense under ‘Dividend income’ account.

Derecognition of Financial Assets and Liabilities

Financial assets

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

- the rights to receive cash flows from the asset have expired;
- 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 and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risk and rewards of the asset but has transferred the control over 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 original carrying amount of the asset and the maximum amount of consideration that the Association could be required to pay.

Financial liabilities

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

Impairment of Financial Assets

The Association recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Association expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For receivables, the Association applies a simplified approach in calculating ECLs. Therefore, the Association does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Association has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

However, in certain cases, the Association may also consider a financial asset to be in default when internal or external information indicates that the Association is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Association. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Investments in Associates

An associate is an entity over which the Association has a significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The Association's investment in associates is accounted for using the equity method.

Under the equity method, investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Association's share of net assets of the associate since the acquisition date. Distributions received from an investee reduce the carrying amount of the investment. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of income reflects the Association's share of the results of operations of the associate. Any change in OCI of the associate is presented as part of the Association's OCI. In addition, when there has been a change recognized directly in the equity of the investee, the Association recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Association and associate are eliminated to the extent of the interest in the associate.

The financial statements of the investee are prepared for the same reporting period as the Association. The associate's accounting policies conform to those used by the Association for like transactions and events in similar circumstances.

Upon loss of significant influence over the investee, the Association measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in statement of income.

Property and Equipment

Land is carried at cost less any impairment in value while depreciable property and equipment, such as land improvement, training facilities, office furniture, fixtures, and equipment and library books, transportation equipment, and leasehold improvement, are stated at cost less accumulated depreciation, and any impairment in value.

Such cost includes the cost of replacing part of the property and equipment when that cost is incurred and if the recognition criteria are met, but excluding repairs and maintenance cost.

For property and equipment being constructed by an external contractor, costs are capitalized based on the percentage of completion of the project.

Depreciation commences once the property and equipment are available for use and is computed using the straight-line method over the estimated useful lives (EUL) of the respective assets, except for leasehold improvements which are amortized over the shorter of the EUL of the improvements or the terms of the related leases. The EUL of the depreciable assets are as follows:

	Years
Land improvement	3
Training facilities	3 to 10
Office furniture, fixtures, equipment and library books and transportation equipment	3 to 5
Leasehold improvement	3 or term of the lease, whichever is shorter

The EUL, residual value, and the depreciation method are reviewed periodically to ensure that the period and the method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is credited against revenue and expenses.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any resulting gain or loss arising on the derecognition of the asset (calculated as the difference between the net disposal proceeds and carrying amount of the asset) is included in the statements of revenue and expense.

Software Costs

Software costs include costs incurred in obtaining license for the software purchased and used by the Association. The amortization of software costs is on a straight-line basis over a period of five (5) years and is recorded under ‘Amortization expense’ account.

Impairment of Nonfinancial Assets

The Association assesses the impairment of its property and equipment and software cost, whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. The factors that the Association considers important which could trigger an impairment review include the following:

- significant changes in the manner of use of the assets; and
- significant negative industry or economic trends.

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

Recoverable amount

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If it is not possible to estimate the recoverable amount of an individual asset to an asset should be read as references also to an asset’s cash-generating unit.

It is not always necessary to determine both an asset’s fair value less costs to sell and its value in use. If either of these amounts exceeds the asset’s carrying amount, the asset is not impaired and it is not necessary to estimate the other amount.

If there is no reason to believe that an asset's value in use materially exceeds its fair value less costs to sell, the asset's fair value less costs to sell may be used as its recoverable amount. This will often be the case for an asset that is held for disposal.

Reversal of impairment
The Association shall assess at each reporting date whether there is any indication that an impairment loss recognized in prior periods may no longer exist or may have decreased. If any such indication exists, the Association shall determine whether all or part of the prior impairment loss should be reversed. The procedure for making that determination will depend on whether the prior impairment loss on the asset was based on the recoverable amount of that individual asset, or the recoverable amount of the cash-generating unit to which the asset belongs.

Fund Balance
Fund balance consists of the amounts contributed by the members of the Board of Trustees (BOT) of the Association and all current and prior period results of operations.

Restricted funds
The Association's Board of Trustees (BOT) has restricted twenty percent of the total revenue and expenses as follows: two (2.0%) for scholarships, three (3.0%) for information technology development and fifteen (15.0%) for fixed asset acquisition for future expansion.

Accumulated excess of revenue over expenses
Accumulated excess of revenue over expenses represents the cumulative balance of periodic net income or loss.

Revenue Recognition
Revenue from contracts with customers is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the Association expects to be entitled in exchange for those services.

The Association assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Association has concluded that it is the principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Seminars and trainings fees
Seminars and trainings fees are recognized when seminars and trainings have been conducted and completed.

Tuition fees and other school fees
Income from payment of tuition fee and miscellaneous fees are recognized over the service period. Tuition fees collected during the year that are applicable in subsequent years are deferred and shown as unearned tuition fee under 'Accounts payable and accrued expenses' in the statements of assets, liabilities and fund balance.

Interest income
Interest income on deposits in Associations is recognized as interest accrues, taking into account the effective yield of the asset.

Donations and contributions
Grants are recognized when there is a reasonable assurance that the Association will comply with the conditions attached to them, and that the grants will be received. Grants received for a specific purpose or with condition are initially recognized as a liability shown as funds held in trust as a fund balance, if received from a member of Board of Trustees, and as a liability, if received from other than a member of Board of Trustees. When the specific purpose or condition is met, it is recorded as 'Donations and contributions' in the statement of revenue and expenses.

Dividend income
Income from equity investments is recognized when the Association's right to receive (i.e., date of declaration) payment is established.

Cost and Expense Recognition
Costs and expenses are recognized in statement of revenue and expenses and changes in fund balance when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Costs and expenses are recognized in statement of revenue and expenses and changes in fund balance:

- On the basis of a direct association between the costs incurred and the earning of specific items of income;
- On the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or
- Immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the statement of assets, liabilities and fund balance as an asset.

Leases

Policies applicable effective January 1, 2019
The Association assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Association as a lessee
The Association applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Association recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets
Starting January 1, 2019, the Association recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying is available for use) as part of Property and Equipment. Right-of-use assets are measured at cost, less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, which ranges from 1 to 3 years. Right-of-use assets are also subjected to the impairment policy on non-financial assets.

Lease liabilities
At the commencement date of the lease, the Association recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Association and payments of penalties for terminating the lease, if the lease term reflects the Association exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Association uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payment resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Association applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value (i.e. below ₱250,000). Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

Association as a lessor
Leases in which the Association does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising from leased properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Policies applicable prior to January 1, 2019
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 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 substantial change to the asset.

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

Association as a lessee
Leases where the lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the statement of revenue and expenses and changes in fund balance on a straight-line basis over the lease term.

The Association recognize its rights of use and obligations under finance leases as assets and liabilities in its statement of assets, liabilities and fund balance at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, determined at the inception of the lease.

Payments for finance lease liability are apportioned between interest expense and reduction of outstanding liability.

<u>Retirement Benefits</u>
The Association operates a defined benefit retirement plan and hybrid retirement plan which require contribution to be made to a separately administered fund. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the reporting date reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling (if any). The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plan is actuarially determined using the projected unit credit method.

Movement of the retirement costs comprise the following:

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

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

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

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to the statement of excess of revenue over expenses in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Association, nor can they be paid directly to the Association. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to time value of money is recognized as 'Interest expense' in the statement of revenue and expenses and changes in fund balance.

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

Events after the Reporting Period
Post-year-end events up to the date of the approval of the BOT of the financial statements that provide additional information about the Association's position at the reporting date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

Standards Issued but not yet Effective
Pronouncements issued but not yet effective are listed below. The Association intends to adopt the following pronouncements when they become effective. Adoption of these pronouncements is not expected to have a significant impact on the Association's financial statements.

Effective beginning on or after January 1, 2020
- Amendments to PAS 1, *Presentation of Financial Statements,* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material*
- PAS 28 (Amendments), *Long-term Interests in Associates and Joint Ventures.*
- Amendments to PFRS 3, *Definition of a Business*.

Effective beginning on or after 1 January 2021
- PFRS 17, *Insurance Contracts*

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements, and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*.

3. Significant Accounting Estimates

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

<u>Estimates</u>

(a) Impairment of receivables

The Association uses a provision matrix to calculate ECLs for financial assets. The provision matrix is initially based on the Association's historical observed default rates.

The Association will adjust the historical credit loss experience with forward-looking information, if any. For instance, if forecast economic conditions (i.e., consumer price index) are expected to deteriorate over the next year which can lead to an increased number of defaults in the industry, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Association's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The carrying amount of receivables as of December 31, 2019 and 2018 are disclosed in Note 8.

(b) *Present value of retirement asset*

The determination of the Association's retirement cost is dependent on certain assumptions used by the actuary in calculating such amount. Those assumptions are described in Note 18 to the financial statements and include, among others, discount rate, future salary increase and average remaining working lives of employees. While management believes that the assumptions are reasonable and appropriate, significant differences in the Association's actual experience or significant changes in the assumptions may materially affect the pension and other retirement obligation.

As at December 31, 2019 and 2018, the carrying values of retirement asset of the Association are disclosed in Note 18.

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

(a) *Leases - Estimating the incremental borrowing rate*
The Association cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Association would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Association estimates the IBR using observable inputs (by reference to average bank lending rates).

The Association's lease liabilities amounted to ₱6.61 million and ₱0.37 million as of December 31, 2019 and 2018, respectively (see Note 17).

4. Fair Value Measurement

The methods and assumptions used by the Association in estimating the fair values of its assets and liabilities are:

Cash, receivables, current portion of financial investments at amortized cost , current portion of receivables, refundable deposits under 'other current assets,' accounts payable and lease liabilities - The carrying amounts approximate their carrying values due to their short-term maturities of these instruments. Management believes that the effect of discounting cash flows from these instruments using the prevailing market rates is not significant

Funds held in trust
The carrying amount of funds held in trust approximate its carry value due to deferral by the Association of revenue for unmet conditions.

The following table summarizes the carrying amounts and the fair values by level of the fair value hierarchy of the Company's assets and liabilities as at December 31:

	2019	
	Carrying value	**Fair value measurement using significant unobservable inputs (Level 3)**
Recurring fair value measurement		
Financial assets at FVOCI	**₱7,148,163**	**₱7,148,163**
Assets for which fair values are disclosed:		
Financial investments at amortized cost	**30,000,000**	**26,756,372**
	₱37,148,163	**₱33,904,535**

	2018	
	Carrying value	Fair value measurement using significant unobservable inputs (Level 3)
Recurring fair value measurement		
Financial assets at FVOCI	₱8,660,322	₱8,660,322
Assets for which fair values are disclosed		
Financial investments at amortized cost	30,000,000	22,090,000
	₱38,660,322	₱30,750,322

Description of significant unobservable inputs to valuation follow:

Account	Valuation Technique	Significant Unobservable Input	Inputs 2019	Inputs 2018
Financial assets at FVOCI	Adjusted net asset	Book value per share	**₱141.00/share**	₱199.64/share
Financial investment at amortized cost	Discounted cash flow	Risk premium rate	**4.00%**	7.00%

5. Financial Instruments and Financial Risk Management Objectives and Policies

The Association has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

In line with the Center for Agricultural and Rural Development Mutually Reinforcing Institutions' (CARD MRI) mission of "*providing continued access to integrated microfinance and social development services to an expanding membership base by organizing and empowering women and their families*", risk management framework of the Association involves identifying and assessing risks, designing strategies and implementing policies to mitigate risks, and conducting evaluation for adjustments needed to minimize risks.

The BOT is responsible for monitoring the Association's implementation of risk management policies and procedures and for reviewing the adequacy of risk management framework in relation to the risks faced by the Association. Risk Management of the Association is strengthened in conjunction with the Internal Audit (IA) functions of CARD MRI Group. IA undertakes both regular audit examination and ad hoc reviews of risk management controls and procedures, the results of which are reported to the BOT.

Credit Risk

Credit risk is the risk of financial loss to the Association if the counterparty to a financial instrument fails to meet its contractual obligations. The Association manages credit risk by assessing the creditworthiness of its counterparties. The Association continuously monitors the financial health and status of its counterparties to ascertain that receivables from these counterparties will be substantially collected on due date or in the future.

Maximum exposure to credit risk
The maximum exposure of the Association's financial instruments is equivalent to the carrying values as reflected in the statements of financial position and related notes. The Association holds no collateral and other credit enhancements against its credit risk exposure as at December 31, 2019 and 2018.

Credit Concentration
Concentration arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. As at December 31, 2019 and 2018, the Association's cash in Associations and receivables are concentrated to financial intermediaries and customers, respectively.

Credit quality per class of financial assets
The credit quality of financial assets is monitored and managed based on the credit standing and history.

High grade - These are Association deposits and receivables which have a high probability of collection. The counterparty has the apparent ability to satisfy its obligation and the securities on the receivables are readily enforceable.

Standard grade - These are Association deposits and receivables where collections are probable due to the reputation and the financial ability of the counterparty to pay but with experience of default.

Further, the financial assets are also grouped according to stage whose description is explained as follows:

Stage 1 - those that are considered current and up to 90 days past due, and based on change in rating, delinquencies and payment history, do not demonstrate significant increase in credit risk.

Stage 2 - those that, based on change in rating, delinquencies and payment history, demonstrate significant increase in credit risk, and/or are considered more than 90 days past due but does not demonstrate objective evidence of impairment as of reporting date.

Stage 3 - those that are considered in default or demonstrate objective evidence of impairment as of reporting date.

The following tables illustrate the association's credit exposures from its receivables.

	2019			2018		
	ECL Staging					
	Stage 1	**Stage 3**		Stage 1	Stage 3	
	Non-default	**Defaulted**	**Total**	Non-default	Defaulted	Total
Neither past due nor impaired						
High grade	**₱8,238,346**	**₱–**	**₱8,238,346**	₱48,033,995	₱–	₱48,033,995
Standard grade	**2,417,018**	**–**	**2,417,018**	10,263,872	–	10,263,872
Past due but not impaired	**–**	**4,709**	**4,709**	–	415,452	415,452
Past due and impaired	**–**	**15,367,432**	**15,367,432**	–	748,823	748,823
Gross carrying amount	**₱10,655,364**	**₱15,372,141**	**₱26,027,505**	₱58,297,327	₱1,164,275	₱59,461,602

As at December 31, 2019 and 2018, Association's receivables that are past due for more than 1 year are considered impaired. Following use of a simplified ECL, given receivables are short term in nature, non-defaulted accounts are computed with lifetime ECL.

Liquidity Risk

Liquidity risk is the risk arising from potential inability to meet obligations when they become due at a reasonable cost and timely manner. To ensure sufficient liquidity, the Association sets aside funds to pay currently maturing obligations which are placed in credible Associations. Monitoring of daily cash position is being done to guide the management in making sure that sufficient liquidity is maintained. The Treasury Committee of CARD MRI reviews monthly the liquidity position of the Association.

The table below summarize the maturity profile of the financial instruments of the Association based on undiscounted cash flows as at December 31, 2019 and 2018:

	2019			
	On demand	**Within 1 Year**	**More than 1 Year**	**Total**
Cash and cash equivalents	**₱90,660,886**	**₱–**	**₱–**	**₱90,660,886**
Financial investments at amortized cost	**–**	**244,080,857**	**37,500,000**	**281,580,857**
Financial assets at FVOCI (Note 8)	**–**	**–**	**7,148,163**	**7,148,163**
Receivables: (Note 7)				
Students	**16,174,683**	**–**	**–**	**16,174,683**
Related parties	**2,658,939**	**–**	**–**	**2,658,939**
Prepaid subscription (Note 9)	**12,195,174**	**–**	**–**	**12,195,174**
	121,689,682	**244,080,857**	**44,648,163**	**410,418,702**
Accounts payable and accrued expenses: (Note 13)				
Funds held in trust	**–**	**–**	**131,993,070**	**131,993,070**
Accounts payable	**10,636,016**	**–**	**–**	**10,636,016**
Accrued expenses	**6,867,599**	**–**	**–**	**6,867,599**
Lease liabilities	**–**	**3,854,605**	**3,855,605**	**7,710,220**
	17,503,615	**3,854,605**	**135,848,675**	**157,206,895**
	₱104,186,067	**₱240,226,252**	**(₱91,200,512)**	**₱253,211,807**

	2018			
	On demand	Within 1 Year	More than 1 Year	Total
Cash and cash equivalents	₱65,753,337	₱–	₱–	₱65,753,337
Financial investments at amortized cost	–	213,427,292	37,500,000	250,927,292
Financial assets at FVOCI (Note 8)	–	–	8,660,322	8,660,322
Receivables: (Note 7)				
Students	12,306,636	–	–	12,306,636
Related parties	43,239,026	345,477	818,798	44,413,301
Prepaid subscription (Note 9)	4,237,700	–	–	4,237,700
	125,536,699	213,772,769	46,979,120	386,288,588
Accounts payable and accrued expenses: (Note 13)				
Funds held in trust	–	109,898,441	–	109,898,441
Accrued expenses	8,073,365	–	–	8,073,365
Accounts payable	9,145,867	–	–	9,145,867
Lease liabilities	–	382,665	–	382,665
	17,219,232	110,281,106	–	127,500,338
	₱108,317,467	₱103,491,663	46,979,120	₱258,788,250

Market Risk
Market risk is the risk of loss of future earnings, of fair value or future cash flows of a financial instrument. The Association has no significant exposure to interest rate risk as interest bearing financial instruments carry fixed interest rates and foreign currency risk since exposure to foreign currency denominated assets and liabilities is very minimal.

Equity price risk
Equity price risk is the risk that the fair value of equity securities will fluctuate as the result of changes in the levels of equity indices and the value of individual stocks. The equity price risk exposure arises from the Association's FVOCI investments.

The table below demonstrates the sensitivity, to a reasonably possible change in weighted cost of capital with all other variables held constant, of the Association's other comprehensive income through the impact on unrealized gain/loss on financial asset at FVOCI.

	Change in weighted cost of capital (in basis points)			
	2019		2018	
	+100 bps	**-100 bps**	+100 bps	-100 bps
Change in equity	**₱7,230,013**	**(₱7,086,845)**	₱86,603	(₱86,603)

6. Cash in Banks

This account consists of:

	2019	2018
Demand deposits	**₱33,986,739**	₱28,030,595
Savings deposits	**56,674,147**	37,558,769
	₱90,660,886	₱65,589,364

Cash in banks represent peso-denominated current and savings accounts which earn interests at an annual rate ranging from 1.00% to 1.50% in 2019 and 2018.

In 2019 and 2018, cash in banks earned interest amounting to ₱0.53 million and ₱0.41 million, respectively.

7. Investment Securities

Financial Investments at Amortized Cost
This account is composed as follows:

	2019	2018
Short term investments	**₱236,718,515**	₱208,548,009
Long term investments	**30,000,000**	30,000,000
	₱266,718,515	₱238,548,009

Short-term investments
Short-term investments represent peso denominated time deposits with maturity ranging from three (3) months to one (1) year and with annual interest rates ranging from 3.00% to 4.25% and 3.00% to 4.30% in 2019 and 2018, respectively.

Interest earned on short-term investments amounting to ₱9.19 million and ₱5.67 million in 2019 and 2018, respectively.

Long-term investments
Long-term investment represent time deposit amounting to ₱30.00 million placed under Rizal Association, Inc. which will mature on December 1, 2022 and bears an annual interest rate of 5.00% in 2019 and 2018.

Interest earned on long-term investments amounting to ₱3.06 million and ₱1.52 million in 2019 and 2018, respectively.

Financial Investment at Fair Value through Other Comprehensive Income
This represents the Association's 4.69% ownership interest in CARD MRI Information Technology (CMIT). As at December 31, 2019 and 2018, net unrealized gains in FVOCI investment of the association amounted to ₱2.07 million and ₱4.29 million, respectively.

Movements of the investment are as follows:

	2019	2018
Beginning balance	**₱8,660,322**	₱9,097,712
Mark-to-market fair value changes	**(2,215,159)**	(437,390)
Additional investment through issuance of share dividend	**703,000**	-
Ending balance	**₱7,148,163**	₱8,660,322

The movements in the unrealized loss on financial investment at FVOCI of the Company follow:

	2019	2018
Beginning balance	**₱4,286,422**	₱4,723,812
Mark-to-market fair value changes	**(2,215,159)**	(437,390)
Ending balance	**₱2,071,263**	₱4,286,422

The Association received dividends from CMIT amounting to ₱1.98 million and ₱2.05 million in 2019 and 2018, respectively.

8. Receivables

This account consists of:

	2019	2018
Receivables from students	**₱16,174,683**	₱12,306,636
Interest receivable	**7,193,882**	2,741,665
Receivables from trainees and participants	**2,658,939**	44,413,301
	26,027,505	59,461,602
Less allowance for credit losses	**3,974,762**	1,320,117
	₱22,052,743	₱58,141,485

	2019	2018
Current portion	**₱18,994,410**	₱56,603,985
Noncurrent portion	**3,058,333**	1,537,500
	₱22,052,743	₱58,141,485

Changes in the allowance for credit losses follow:

	2019	2018
Balance at beginning of year	**₱1,320,117**	₱1,240,529
Provision for credit losses	**2,654,645**	79,588
Balance at end of year	**₱3,974,762**	₱1,320,117

Receivable from students pertains to tuition fees from their tertiary and senior high school students which are already rendered by the Association. The receivables are noninterest bearing and paid in installment.

Interest receivable pertains to interest accrued from time deposit.

Receivable from trainees and participants are those attributed to CARD MRI entities and non-CARD MRI entities which are also for seminar and training fees. The receivable from trainees and participants is demandable.

9. Other Current Assets

This account consists of:

	2019	2018
Financial assets		
Prepaid subscription	**₱12,195,174**	₱4,237,700
Non-financial assets		
Supplies inventory	**1,016,627**	501,115
Prepaid expenses	**149,420**	272,925
	₱13,361,221	₱5,011,740

Prepaid subscription includes prepayment for the subscription on the increase of capital stock of CMIT.

Supplies inventory represents the cost of unissued and on hand stationaries and office supplies such as papers, journals and toners.

Prepaid expenses pertain to the prepayments for insurance and other expenses.

10. **Investment in Associates**

This account consists of the following:

	2019	2018
Acquisition cost		
CARD MRI Publishing House, Inc. (CMPHI)		
Balance at beginning of year	**₱100,000**	₱100,000
CARD MRI Hijos Tours Inc. (CMHTI)		
Balance at beginning of year	**100,000**	100,000
Additional investment during the year	**299,995**	–
Balance at end of year	**499,995**	200,000
Accumulated equity in net earnings (losses)		
Balance at beginning of year	**275,999**	17,179
Share in net income (loss) for the year	**159,282**	258,820
	435,281	275,999
	₱935,276	₱475,999

Details of the Association's investments in associates follow:

			Percentage of ownership	
	Nature of business	**Place of business**	**2019**	2018
CMPHI	Publishing company	Philippines	**20.00%**	20.00%
CMHTI	Travel agency	Philippines	**20.00%**	20.00%

The table below illustrates the summarized financial information of associates:

	CMPHI		**CMHTI**	
	2019	2018	**2019**	2018
Current assets	**₱3,244,554**	₱2,831,330	**₱2,982,207**	₱1,739,559
Noncurrent assets	**68,476**	80,357	**15,867**	23,949
Current liabilities	**870,230**	1,081,748	**337,692**	546,623
Noncurrent liabilities	**339,769**	24,107	**554,189**	553,808

Summarized financial information of the financial statements of comprehensive income of the associates follow:

	CMPHI		**CMHTI**	
	2019	2018	**2019**	2018
Revenue	**₱12,245,703**	₱9,199,864	**₱5,688,884**	₱3,429,440
Cost of Sales	**6,845,653**	5,341,760	**2,199,239**	2,191,942
Gross Income	**5,400,050**	3,858,104	**3,489,645**	1,237,498
Cost and expenses	**3,713,327**	2,183,364	**16,474**	46,662
Operating income	**1,686,723**	1,674,740	**3,506,119**	1,284,160
Other income	**(377,640)**	113,667	**3,264,416**	1,176,924
Income before tax	**1,309,083**	1,788,407	**241,703**	107,236
Provision for income tax	**508,871**	534,781	**245,190**	31,286
Net Income after Tax	**800,212**	1,253,626	**(3,487)**	75,950

11. **Property and Equipment**

The compositions of and movements in this account follow:

	2019								
	Land	**Land Improvement**	**Training Facilities**	**Office Furniture, Fixtures, Equipment and Library Books**	**Transportation Equipment**	**Leasehold Improvement**	**Construction in Progress**	**Right of Use of Asset**	**Total**
Cost									
Balance at beginning of year, as restated	**31,092,462**	**9,392,658**	**114,890,890**	**25,171,574**	**1,367,498**	**1,949,016**	**20,497,766**	**5,363,350**	**209,725,214**
Additions	**67,451,100**	**76,160**	**6,556,612**	**10,403,846**	**–**	**–**	**41,836,766**	**5,435,124**	**131,759,608**
Transfers	**–**	**–**	**47,663,145**	**–**	**–**	**–**	**(47,663,145)**	**–**	**–**
Reversal to Other Assets	**–**	**–**	**–**	**–**	**–**	**–**	**(805,573)**	**–**	**(805,573)**
Balance at end of year	**98,543,562**	**9,468,818**	**169,110,647**	**35,575,420**	**1,367,498**	**1,949,016**	**13,865,814**	**10,798,474**	**340,679,249**
Accumulated Depreciation and Amortization									
Balance at beginning of year	**–**	**7,090,992**	**57,099,692**	**18,038,469**	**1,367,400**	**1,667,984**	**–**	**–**	**85,264,537**
Depreciation and amortization	**–**	**967,713**	**15,436,881**	**4,966,588**	**–**	**210,438**	**–**	**4,264,272**	**25,845,892**
Balance at end of year	**–**	**8,058,705**	**72,536,573**	**23,005,057**	**1,367,400**	**1,878,422**	**–**	**4,264,272**	**111,110,429**
Net Book Value	**₱98,543,562**	**₱1,410,113**	**₱96,574,074**	**₱12,570,363**	**₱98**	**₱70,594**	**₱13,865,814**	**₱6,534,202**	**₱229,568,820**

	2018							
	Land	Land Improvement	Training Facilities	Office Furniture, Fixtures, Equipment and Library Books	Transportation Equipment	Leasehold Improvement	Construction in Progress	Total
Cost								
Balance at beginning of year	₱17,672,319	₱9,208,205	₱100,431,700	₱22,142,899	₱1,367,498	₱1,949,016	₱14,456,363	₱167,228,000
Additions	13,420,143	184,453	1,848,864	4,205,452	–	–	18,735,729	38,394,641
Disposal	–	–	(84,000)	(1,176,777)	–	–	–	(1,260,777)
Transfers	–	–	12,694,326	–	–	–	(12,694,326)	–
Balance at end of year	31,092,462	9,392,658	114,890,890	25,171,574	1,367,498	1,949,016	20,497,766	204,361,864
Accumulated Depreciation								
Balance at beginning of year	–	5,432,095	44,949,805	14,575,917	1,367,400	1,492,619	–	67,817,836
Depreciation	–	1,658,897	12,233,787	4,635,829	–	175,365	–	18,703,878
Disposal	–	–	(83,900)	(1,173,277)	–	–	–	(1,257,177)
Balance at end of year	–	7,090,992	57,099,692	18,038,469	1,367,400	1,667,984	–	85,264,537
Net Book Value	₱31,092,462	₱2,301,666	₱57,791,198	₱7,133,105	₱98	₱281,032	₱20,497,766	₱119,097,327

Depreciation expense on property and equipment are presented under the following expense categories:

	2019	2018
Cost of seminars, trainings and other programs (Note 14)	**₱7,811,517**	₱9,378,330
Senior high school expenses (Note 15)	**8,486,376**	5,164,766
Tertiary expenses (Note 16)	**4,580,964**	3,391,268
Administrative expenses	**4,967,035**	769,514
	₱25,845,892	₱18,703,878

Construction in progress represents the cost of under process development of establishments and improvements of facilities that are utilized by the Association and its branches. As of December 31, 2019, the constructions in progress pertain to the establishment of administrative building in Tagum branch started in November 2019 and renovations of facilities in Bay branch started in July 2019 and are estimated to complete in 2020, respectively. As of December 31, 2018, the construction in progress pertained to the construction of school building in Tagum branch which started in September, 2018 and was completed in December 2019.

In 2018, the Association recorded loss on disposal of training facilities and office furniture, fixtures, equipment and library books amounting to ₱3,600.

Reclassification pertains to reversal of amount paid in 2018 as security deposit to construction in progress not yet started in 2019.

12. Software Costs

The movements in this account follow:

	2019	2018
Cost		
Balance at beginning of year	**₱4,069,726**	₱882,719
Additions	**851,684**	3,187,007
Balance at end of year	**4,921,410**	4,069,726
Accumulated Amortization		
Balance at beginning of year	**802,941**	371,020
Amortization	**877,632**	431,921
Balance at end of year	**1,680,573**	802,941
Net Book Value	**₱3,240,837**	₱3,266,785

The breakdown of amortization expense on software costs follows:

	2019	2018
Cost of seminars, trainings and other programs (Note 14)	**679,615**	₱334,468
Senior high school expenses (Note 15)	**164,950**	81,179
Tertiary expenses (Note 16)	**33,067**	16,274
	₱877,632	₱431,921

13. **Accounts Payable and Accrued Expenses**

This account consists of:

	2019	2018
Financial liabilities		
Funds held in trust	**₱131,993,070**	₱109,898,441
Accounts payable	**10,636,016**	9,145,867
Accrued expenses	**6,867,599**	8,073,364
Unearned tuition fee	**171,101**	621,854
	149,667,786	127,739,526
Nonfinancial liabilities		
Withholding tax payable	**487,025**	568,258
	₱150,154,811	₱128,307,784

Accounts payable include the Association's payable to contractors, advances from customers and statutory payables to Social Security System, Philippine Health Corporation and Home Development Mutual Fund.

Accrued expenses include accrual for vacation leave credits, cash gifts, 13^{th} month pay, and other expenses.

Funds held in trust are donations received by the Association for scholarship fund.

14. **Cost of Seminars, Trainings and Other Programs**

This account consists of:

	2019	2018
Meals of trainees	**₱48,684,814**	₱54,226,955
Room accommodation and function hall	**29,860,019**	29,856,974
Compensation and employee benefits (Note 18)	**22,815,123**	19,022,134
Transportation and travel	**12,514,467**	7,130,540
Depreciation (Note 11)	**7,811,517**	9,378,330
Information technology	**5,452,518**	4,795,724
Janitorial, messengerial and security	**5,245,078**	4,421,229
Supplies and materials	**4,510,859**	6,283,186
Amortization (Note 12)	**679,615**	–
Office rental (Note 17)	**133,146**	1,597,607
Others	**10,438,654**	11,117,350
	148,145,810	147,830,029

Others include periodicals and magazines, insurance expense, other program-related costs, utilities, repairs and maintenance, honorarium to resource person, communication and postage, laundry and ironing, representation, library books and interest expenses.

15. Senior High School Expenses

This account consists of:

	2019	2018
Compensation and employee benefits (Notes 18 and 19)	**₱12,171,580**	₱8,486,400
Depreciation (Note 11)	**8,486,376**	5,164,766
Staff training and development and meetings	**4,972,889**	5,792,249
Transportation and travel	**3,215,641**	2,679,383
Supplies and materials	**2,248,415**	1,645,102
Janitorial, messengerial, security	**1,740,520**	1,036,111
Information technology	**1,198,722**	1,026,101
Amortization (Note 12)	**164,950**	81,179
Library books	**14,992**	52,481
Others	**3,565,532**	2,820,431
	₱37,779,617	₱28,784,203

Others include utilities, management and professional fees, repairs and maintenance, advertising and publicity, representation, communication and postage, taxes and licenses, seminars and meetings, supervision and examination, monitoring and evaluation and insurance.

16. Tertiary Expenses

This account consists of:

	2019	2018
Compensation and employee benefits (Notes 18 and 19)	**₱7,192,853**	₱4,314,520
Depreciation (Note 11)	**4,580,964**	3,391,268
Staff training and development and meetings	**3,088,829**	2,516,068
Transportation and travel	**3,618,805**	1,843,344
Supplies and materials	**2,053,928**	1,271,739
Janitorial, messengerial, security	**1,577,435**	839,358
Utilities	**1,128,651**	721,027
Management and professional fees	**786,619**	495,242
Information technology	**569,217**	279,048
Amortization (Note 12)	**33,067**	16,274
Others	**2,297,505**	1,311,201
	₱26,927,873	₱16,999,089

Others include taxes and licenses, advertising and publicity, repairs and maintenance, representation, library books, communication and postage, supervision and examination and insurance.

17. **Leases**

The Association has lease contracts for offices, vehicles and other equipment used in its operations. Leased offices have lease terms of less than one (1) to five (5) years, while leased motor vehicles and equipment have lease terms of one (1) to three (3) years.

The Association's obligations under its leases are secured by the lessor's title to the leased assets. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

The Association also has certain leases of office space with lease terms of 12 months or less and leases of office equipment with low value. The Association applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Security deposits booked as other noncurrent assets of the Association amounting to ₱4.71 million and ₱3.39 million as of December 31, 2019 and 2018, respectively.

The following are the amounts recognized in statement of income:

	2019
Depreciation expense of right-of-use assets (Note 11)	**₱4,264,272**
Interest expense on lease liabilities	**378,495**
Expenses relating to short-term leases and low value assets	**592,504**
Total amount recognized in statement of income	**₱5,235,271**

The rollforward analysis of lease liabilities follows:

	2019	2018
Beginning balances, as previously reported	**₱373,735**	₱2,328,149
Effect of adoption of PFRS 16	**5,285,982**	–
Beginning balances, as restated	**5,659,717**	₱2,328,149
Additions	**5,406,455**	–
Interest expense	**378,495**	193,877
Payments	**(4,838,930)**	(2,148,291)
Ending balances	**₱6,605,737**	₱373,735

Shown below is the maturity analysis of the undiscounted lease payments:

	2019	2018
Within one year	**₱3,854,605**	₱5,475,131
Beyond one year	**3,855,616**	5,045,896

18. **Retirement Benefits**

The Association, CARD MRI Rizal Bank, Inc., CARD Association, Inc, CARD Mutual Benefit Association, Inc., CARD SME Bank, Inc., CARD MRI Insurance Agency, Inc., CARD Business Development Service Foundation, Inc., BotiCARD, Inc., CARD Employees Multi-Purpose Cooperative, Responsible for Investments and Solidarity Empowerment Financing Association, Inc., CARD MRI Information Technology, Inc., CARD, Inc., Mga Likha ni Inay, Inc. and other related parties maintain a funded and formal noncontributory defined benefit retirement plan – a multi-employer retirement plan (MERP or the Plan) – with CARD MERP covering all of their regular employees and CARD Group Employees' Retirement Plan (Hybrid Plan) applicable to employees hired on or after July 1, 2016. The Plan is valued using the projected unit cost method and is financed solely by the Association and its related parties.

MERP is valued using the projected unit cost method and is financed solely by the Association and its related parties. MERP provides lump sum benefits equivalent to up to 120% of final salary for every year of credited service, a fraction of at least six (6) months being considered as one whole year, upon retirement, death, total and permanent disability, or voluntary separation after completion of at least one year of service with the participating companies.

In addition to the Association's defined benefit retirement plan, the Association also operates defined contribution plan referred to as "Hybrid Plan" which provides a retirement benefit equal to 100% of the member's employer accumulated value (the Association's contributions of 8% plan salary to Fund A plus credited earnings) and 100% of the member's employee accumulated value (member's own contributions up to 10% of plan salary to Fund B plus credited earnings), if any, provided that in no case shall 100% of the employee accumulated value in Fund A be less than 100% of plan salary for every year of credited service.

The Association has 42 employees which are part of Hybrid Plan as at December 31, 2019.

The date of the latest actuarial valuation report for MERP and Hybrid Plan is December 31, 2019. The amounts recognized in the statement of assets, liabilities and fund balance follow:

	2019	2018
Present value of defined benefit obligation	**(₱27,268,901)**	(₱13,525,619)
Fair value of plan assets	**34,332,153**	32,831,605
Effect of asset ceiling	**(766,135)**	(8,260,781)
Retirement asset	**₱6,297,117**	₱11,045,205

The amounts included in the statements of revenue and expenses and changes in fund balance follow:

	2019	2018
Current service cost	**₱1,016,776**	₱1,170,039
Interest income on plan assets	**(2,532,975)**	(1,740,073)
Interest on the effect of asset ceiling	**636,080**	212,870
Interest expense on defined benefit obligation	**1,041,473**	840,399
Retirement expense	**₱161,354**	₱483,235

The movements in the net retirement asset follow:

	2019	2018
Balance at beginning of year	**₱11,045,205**	₱10,280,397
Contributions paid by employer	**315,973**	102,886
Net retirement expense	**(161,354)**	(483,235)
Remeasurement gain recognized during the year	**(4,902,707)**	1,145,157
Balance at end of year	**₱6,297,117**	₱11,045,205

The movements in the present value of pension obligation follow:

	2019	2018
Balance at beginning of year	**₱13,525,619**	₱14,564,970
Remeasurement loss (gain)	**11,872,645**	(6,192,160)
Current service cost	**1,016,776**	1,170,039
Interest cost	**1,041,473**	840,399
Benefits paid	**(187,612)**	(788,516)
Transfers to the plan	**–**	3,930,887
Balance at end of year	**₱27,268,901**	₱13,525,619

The movements in the fair value of plan assets follow:

	2019	2018
Balance at beginning of year	**₱32,831,605**	₱28,534,622
Interest income	**2,532,975**	1,740,073
Remeasurement loss	**(1,160,788)**	(688,347)
Contributions paid by employer	**315,973**	102,886
Benefits paid	**(187,612)**	(788,516)
PVO transfer	**–**	3,930,887
Balance at end of year	**₱34,332,153**	₱32,831,605

Remeasurement gain on retirement plan follows:

	2019	2018
Beginning balance	**₱10,612,870**	₱9,467,713
Actuarial gain	**(11,872,645)**	6,192,160
Remeasurement gain on plan assets	**(1,160,788)**	(688,347)
Effect of asset ceiling	**8,130,726**	(4,358,656)
	(4,902,707)	1,145,157
Ending balance	**₱5,710,163**	₱10,612,870

The fair value of plan assets, gross of effect of asset ceiling, by each class as at the reporting date is as follows:

	2019	2018
Cash and cash equivalents	**₱27,809,044**	₱14,583,799
Debt instruments - government securities	**343,322**	16,435,501
Loan receivables	**4,119,858**	–
Other assets	**2,059,929**	1,812,305
	₱34,332,153	₱32,831,605

All plan assets do not have quoted prices in an active market except for government securities. Cash and cash equivalents are deposited in reputable financial institutions and related parties and are deemed to be standard grade. Other assets are composed of mutual fund, investment in equity securities loans, market gain (loss), accrued receivables, net of payable and they are unrated.

The plan assets have diverse investments and do not have any concentration risk other than those in government bonds which are of low risk.

The overall investment policy and strategy of the Association's defined benefit plans is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risk of the plans.

The cost of defined retirement plan as well as the present value of the defined benefit obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension for the defined benefit plans are shown below:

	2019	2018
Discount rates		
January 1	**7.70%**	5.77%
December 31	**5.54%**	7.70%
Future salary increases	**5.00%**	5.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming if all other assumptions were held constant:

	2019		2018	
	+1.0%	**-1.0%**	+1.0%	-1.0%
Discount rate	**(₱2,808,772)**	**₱3,321,354**	(₱1,306,107)	₱1,526,894
Salary rate	**3,305,680**	**(2,847,018)**	1,553,430	(1,349,017)

The Association plans to contribute ₱2.00 million to the defined benefit retirement plan in 2020. As at December 31, 2019, the average duration of defined benefit obligations is 11.2 years.

Shown below is the maturity analysis of the undiscounted benefit payments:

	2019	2018
Less than 1 year	**₱1,774,574**	₱739,592
More than 1 year to 5 years	**7,310,152**	4,246,187
More than 5 years to 10 years	**13,777,512**	7,820,400
More than 10 years to 20 years	**37,132,000**	22,176,436
More than 20 years to 30 years	**51,401,763**	31,546,693
	₱111,396,001	₱66,529,308

19. **Related Party Transactions**

In the ordinary course of business, the Association transacts with related parties. Related parties include associates and officers hold key management positions. Transactions with such parties are made in the ordinary course of business and on substantially same terms, including interest, as those prevailing at the time for comparable transactions with other parties. These transactions are made substantially on the same terms as other individuals and business of comparable risks and are generally settled in cash.

Transactions with retirement plans
Under PFRS, certain post-employment benefit plans are considered as related parties. CARD-MRI's MERP is a stand-alone entity assigned in facilitating the contributions to retirement starting 2005.

Remunerations of Trustees and other Key Management Personnel
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Association, directly or indirectly. The Association considers the members of the board of trustees and senior management to constitute key management personnel for purposes of PAS 24, Related Party Disclosure.

The compensation of key management personnel included under 'Compensation and employee benefits' in the statements of revenue and expenses are as follows:

	2019	2018
Short-term employee benefits	**₱9,384,635**	₱13,755,960
Post-employment benefits	**–**	102,923
	₱9,384,635	₱13,858,883

Other related party transactions
Transactions between the Association and its key management personnel meet the definition of related party transactions. Transactions between the Association and its associates.

Related party transactions and balances as at and for the years ended December 31, 2019 and 2018 are as follows:

	December 31, 2019		
Category	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Other related parties			
Investment in associate		**₱935,276**	Investments in CMPHI and CMHTI with 20.00% ownership each.

December 31, 2019			
Category	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Additions	**₱299,995**		This represents the additions in investment in associate through reversal of deposit from stock subscription
Share in net income	**159,282**		Income derived from the Association's investment in associate

December 31, 2018			
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Other related parties			
Investment in associate		₱475,999	Investments in CMPHI and CMHTI with 20.0% ownership each.
Share in net income	₱275,999		Income derived from the Association's investment in associate
Prepaid subscription		299,995	This represents the deposit from future stock subscription

20. Notes to Statements of Cash Flows

The following are the activities of the Company that affect recognized assets and liabilities but do not result in cash payments in 2019 and 2018:

	2019	2018
Non-cash investing activities:		
Additions to property and equipment through lease contracts (Note 11)	**₱5,435,124**	₱–
Acquisitions of property and equipment on account	**4,910,714**	5,276,016
Reversal to other assets (Note 11)	**(805,573)**	–
Additions through reversal of deposit from stock subscription (Note 10)	**299,995**	
	₱9,840,260	₱5,276,016

The following table shows the reconciliation analysis of liabilities arising from financing activities for the year ended December 31, 2019 and 2018

	2019		
	Fund held in trust	**Lease liabilities**	**Liabilities arising from financing activities**
Balances at beginning of year	**₱109,898,441**	**₱373,735**	**₱110,272,176**
Effect of adoption of PFRS 16	**–**	**5,285,982**	**5,285,982**
Cash inflows	**151,225,965**	**–**	**151,225,965**
Cash outflows	**–**	**(4,838,930)**	**(4,838,930)**
Non-cash activities			
Income recognized from reversal of funds held in trust	**(129,131,336)**	**–**	**(129,131,336)**
New lease contracts entered during the year (Note 18)	**–**	**5,406,455**	**5,406,455**
Amortization on interest expenses (Note 18)	**–**	**378,495**	**378,495**
Balances at end of year	**₱131,993,070**	**₱6,605,737**	**₱138,598,807**

	2018		
	Fund held in trust	Lease liabilities	Liabilities arising from financing activities
Balances at beginning of year	₱74,462,529	₱2,328,149	₱76,790,678
Cash inflows	64,013,261	–	64,013,261
Cash outflows	–	(2,148,291)	(2,148,291)
Non-cash activities			
Income recognized from reversal of funds held in trust	(28,577,349)	–	(28,577,349)
Interest expense (Note 18)	–	198,877	198,877
Balances at end of year	109,898,441	₱373,735	₱110,277,176

21. Events After the Reporting Date

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020, which was subsequently extended to May 31, 2020. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

The Association considers the events surrounding the outbreak as non-adjusting subsequent events, which do not impact its financial position and performance as of and for the year ended December 31, 2019. However, the outbreak could have a material impact on its 2020 financial results and even periods thereafter. Considering the evolving nature of this outbreak, the Association cannot determine at this time the impact to its financial position, performance and cash flows. The Association will continue to monitor the situation

22. Approval of the Release of the Financial Statements

The Association' financial statements of the Association were authorized for issue by the BOT on June 29, 2020.

23. Supplementary Information under RR 15-2010

The Association reported and/or paid the following types of taxes in 2019:

Taxes and Licenses
Taxes and licenses in 2019 recorded as 'Taxes and licenses' in the statements of revenue and expenses and changes in fund balance consist of:

Real property tax	₱934,954
Documentary stamp tax	452,457
Business permits and licenses	125,772
Community tax certificate	806
Annual registration	1,000
Others	442,826
	₱1,957,857

Withholding Taxes
The following withholding taxes are categorized into:

	Paid	Payable
Withholding tax on compensation	₱3,308,307	₱326,467
Expanded withholding tax	500,330	160,558
	₱3,808,637	₱487,025

Tax Assessments
In October 2019, the Company received a letter of authority from BIR for the year ended December 31, 2018 to examine their books of accounts and other accounting records for all internal revenue taxes. No findings have yet been provided by the BIR on the said assessment.

As at December 31, 2019, there are no outstanding tax assessments and tax cases under investigations, litigations nor prosecution in courts or bodies outside the BIR.