CARD-MRI Development Institute, Inc.

(A Nonstock, Not-for-Profit Association)

Financial Statements
December 31, 2016 and 2015

and

Independent Auditor's Report

SGV
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November 10, 2015, valid until November 9, 2018

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, 2016 and 2015, and the statements of revenues and expenses and 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, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards for Small and Medium-sized Entities (PFRS for SMEs).

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 for SMEs, 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.

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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 19 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. (A Nonstock, Not-for-Profit Association). 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.

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March 18, 2017

CARD-MRI DEVELOPMENT INSTITUTE, INC.

(A Nonstock, Not-for-Profit Association)

STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE

	December 31	
	2016	2015
ASSETS		
Current Assets		
Cash in banks (Notes 4 and 16)	**₱53,199,025**	₱40,373,928
Short-term investments (Notes 5 and 16)	**59,275,897**	51,690,481
Receivables (Notes 6 and 15)	**3,538,740**	3,711,309
Other current assets (Note 7)	**1,067,763**	1,580,881
Total Current Assets	**117,081,425**	97,356,599
Noncurrent Assets		
Property and equipment (Note 8)	**92,661,991**	72,668,128
Equity investment at cost (Note 16)	**4,373,900**	4,373,900
Software costs (Note 9)	**672,255**	205,207
Retirement asset (Note 15)	**8,001,384**	234,393
Other noncurrent assets (Note 14)	**825,663**	–
Total Noncurrent Assets	**106,535,193**	77,481,628
	₱223,616,618	₱174,838,227
LIABILITIES AND FUND BALANCE		
Current Liability		
Accounts payable and accrued expenses (Note 10)	**₱14,082,256**	₱20,853,505
Noncurrent Liability		
Lease liability (Note 14)	**4,279,787**	4,831,691
	18,362,043	25,685,196
Fund Balance		
General fund	**5,000,000**	5,000,000
Accumulated excess of revenue over expenses	**200,254,575**	144,153,031
	205,254,575	149,153,031
	₱223,616,618	₱174,838,227

See accompanying Notes to Financial Statements.

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

STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCE

	Years Ended December 31	
	2016	2015
REVENUE		
Seminars and trainings (Note 16)	**₱173,265,451**	₱151,557,691
Tuition fees and other school fees	**9,485,973**	1,825,905
Remeasurement gain on retirement plan (Note 15)	**6,632,683**	–
Interest income (Notes 4, 5 and 16)	**1,990,419**	1,345,483
Facilities fee (Note 16)	**866,175**	581,617
Donations and contributions (Note 16)	**100,000**	808,393
Others	**877,903**	709,212
	193,218,604	156,828,301
EXPENSES		
Cost of seminars, trainings and other programs (Note 11)	**109,858,623**	97,539,121
Tertiary expenses (Note 12)	**5,255,502**	1,510,533
Senior high school expenses (Note 13)	**2,190,141**	–
Administrative:		
Program monitoring and meetings	**4,567,691**	4,196,531
Compensation and employee benefits (Notes 15 and 16)	**3,494,093**	2,048,237
Transportation and travel	**3,019,242**	2,345,043
Staff training and development	**2,215,370**	482,102
Management and professional fees	**1,782,447**	1,755,600
Taxes and licenses	**766,360**	449,542
Depreciation expense (Note 8)	**692,790**	625,124
Insurance	**545,341**	648,384
Supplies and materials	**463,112**	274,009
Information technology	**452,101**	508,555
Utilities	**440,405**	438,130
Janitorial, messengerial, and security	**365,002**	194,831
Representation	**284,631**	651,488
Communication and postage	**188,585**	189,816
Provision for (reversal of) doubtful accounts (Note 6)	**181,706**	(425,676)
Repairs and maintenance	**118,179**	101,037
Remeasurement loss on retirement plan (Note 15)	–	6,307,130
Miscellaneous	**235,740**	43,045
	19,812,794	20,832,928
	137,117,060	119,882,582
EXCESS OF REVENUE OVER EXPENSES	**56,101,544**	36,945,719
FUND BALANCE AT BEGINNING OF YEAR	**149,153,031**	112,207,312
FUND BALANCE AT END OF YEAR	**₱205,254,575**	₱149,153,031

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	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses	**₱56,101,544**	₱36,945,719
Adjustments for:		
Depreciation and amortization expense (Notes 8 and 9)	**13,700,804**	11,312,454
Remeasurement loss (gain) on retirement plan (Note 15)	**(6,632,683)**	6,307,130
Interest income	**(1,990,419)**	(1,345,483)
Retirement expense (Note 15)	**1,596,816**	615,987
Interest expense	**1,375,601**	309,057
Unrealized foreign exchange gain	**(356,744)**	(406,862)
Dividend income (Note 16)	**(262,434)**	(262,434)
Provision for (reversal of) doubtful accounts (Note 6)	**181,706**	(425,676)
Operating income before working capital changes	**63,714,191**	53,049,892
Changes in operating assets and liabilities:		
Decrease (increase) in the amounts of:		
Receivables	**(44,700)**	2,777,641
Other current assets	**513,119**	(441,455)
Increase (decrease) in the amounts of accounts payable and accrued expenses	**(6,771,249)**	1,770,439
Net cash generated from operations	**57,411,361**	57,156,517
Contributions to retirement fund (Note 15)	**(2,731,124)**	(1,839,905)
Dividends received	**262,434**	262,434
Interest received	**2,025,981**	1,096,032
Net cash provided by operating activities	**56,968,652**	56,675,078
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for:		
Purchase of short-term investments	**(9,751,860)**	(51,690,481)
Acquisition of property and equipment (Notes 8 and 17)	**(32,449,843)**	(21,904,940)
Acquisition of software license (Note 9)	**(564,940)**	(88,448)
Security deposits	**(825,663)**	–
Proceeds from maturity of short-term investments	**2,166,443**	–
Net cash used in investing activities	**(41,425,863)**	(73,683,869)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of finance lease	**(3,074,436)**	(618,048)
Net cash used in financing activities	**(3,074,436)**	(618,048)
NET INCREASE (DECREASE) IN CASH IN BANKS	**12,468,353**	(17,626,839)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH IN BANK	**356,744**	406,862
CASH IN BANKS AT BEGINNING OF YEAR	**40,373,928**	57,593,905
CASH IN BANKS AT END OF YEAR	**₱53,199,025**	₱40,373,928

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 on May 28, 2015. It started to operate as a tertiary education institute offering Bachelor of Science in Entrepreneurship with specialization in Microfinance on July 22, 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 June 6, 2012 and had been granted a five-year certification for donee institution status.

The Association is a member of Center for Agriculture and Rural Development (CARD) Mutually Reinforcing Institutions (MRI).

The Association's principal office is located at Brgy. Tranca, Bay, Laguna.

2. Summary of Significant Accounting Policies

Basis of Preparation
The accompanying financial statements have been prepared on a historical cost basis. 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 Philippine Financial Reporting Standards for Small and Medium-sized Entities (PFRS for SMEs).

Presentation of Financial Statements
The statements of assets, liabilities and fund balance of the Association are presented based on current and non-current classification.

Financial assets and financial liabilities are offset and the net amount reported in the statement of assets, liabilities and fund balance only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liability simultaneously. The Association assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Association and all of the counterparties.

Income and expenses are not offset in the statement of revenues and expenses and changes in fund balance unless required or permitted by any accounting standard or interpretation and as specifically disclosed in the accounting policies of the Association.

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.

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

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

Financial Instruments - Initial Recognition and Subsequent Measurement
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 (FVTPL)). The Association classifies its financial assets as financial assets at FVTPL, debt instruments at amortized cost and equity instruments at cost less impairment while its financial liabilities are classified as financial liabilities measured at FVTPL and at amortized cost. Management determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates this designation at every reporting date.

The Association has no financial instruments at FVTPL as at December 31, 2016 and 2015.

Debt instruments at amortized cost
These are non-derivative financial assets (i.e., receivables) with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as equity instruments at cost less impairment or financial assets at FVTPL.

After initial measurement, receivables are subsequently measured at amortized cost using the effective interest method, less allowance for credit losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization, if any, is included in 'Interest income' in the statement of revenues and expenses and changes in fund balance. The losses arising from impairment are recognized in 'Provision for doubtful accounts' in the statement of revenues and expenses and changes in fund balance.

Financial assets that are equity instruments at cost less impairment
This category includes equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably.

Financial liabilities at amortized cost
This category represents issued financial instruments or their components, which are not designated at FVTPL, where the substance of the contractual arrangements result in the Association having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue. This accounting policy relates to 'Accounts payable and accrued expenses' account in the statement of assets, liabilities and fund balance.

After initial measurement, these financial assets are subsequently measured at cost less any allowance for impairment losses.

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 only derecognized when:
- the contractual rights to the cash flows from the financial asset have expired or settled; or
- the Association has transferred another party substantially all of the risks and rewards or ownership of the financial asset; or
- the Association, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

When the Association has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Association continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the

Association also recognizes an associated liability. The transferred asset and associated liability are measured on the basis that reflects the rights and obligations that the Association has retained. 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 repay.

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

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

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

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 and amortization 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:

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

The EUL, residual value, and the depreciation and amortization 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 profit or loss.

An item of property and equipment are 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 statement of revenues and expenses and changes in fund balance.

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 'Depreciation and 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.

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 is recognized to the extent that it is probable that the economic benefits will flow to the Association and that the revenue can be reliably measured regardless of when payment is being made. Revenue is measured at fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Association has assessed that it is acting as a principal in all of its revenue transactions. The following specific recognition criteria must also be met before income 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 which 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 statement of assets, liabilities and fund balance.

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

Facilities fee
Facilities fee is recognized based on the terms of agreement.

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 under 'Accounts payable and accrued expenses' in the statement of assets, liabilities and fund balance otherwise they are recorded as 'Donations and contributions' in the statement of revenues and expenses and changes in fund balance.

Dividend income
Income from equity investments is recognized when the Association's right to receive is established.

Cost and Expense Recognition
Costs and expenses are recognized in statement of revenues 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 revenues 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.

Foreign Currency Transactions

Foreign currency-denominated monetary assets and monetary liabilities are translated into Philippine peso equivalents based on the Philippine Dealing System (PDS) closing rate prevailing at the end of the year and foreign currency-denominated income and expenses at the PDS weighted average rate prevailing on transaction date. Foreign exchange gains or losses from foreign currency translations and revaluation of foreign currency-denominated monetary assets and monetary liabilities are credited to or charged against current operations.

Leases

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

a. There is 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 lessee

Operating Leases

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.

Finance Leases

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.

Retirement Benefits

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.

Defined benefit costs comprise the following:

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

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as 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 statement of revenues and expenses and changes in fund balance.

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 the statement of financial position with a corresponding debit or credit to 'Remeasurement gains (losses) on retirement liabilities' under profit or loss in the period in which they arise. Remeasurements are recognized as expense or income in the statement of revenues and expenses and changes in fund balance.

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 revenues 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 revenues 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.

3. Significant Accounting Estimates

The preparation of the Association's financial statements in accordance with PFRS for SMEs requires the management to make judgments and estimates that affect the reported amounts of assets, liabilities, fund balance, revenues, 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.

Estimates

(a) *Impairment of receivables*

The Association assesses its receivables for impairment at each reporting date. In determining whether a credit loss should be recorded in the statement of revenues and expenses and changes in fund balance, the Association makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from its receivables. This evidence may include observable data indicating that there has been an adverse change in the payment status of its debtors.

The carrying value of receivables and the related allowance for doubtful accounts are disclosed in Note 6.

(b) *Present value of retirement liability/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 15 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, 2016 and 2015, the carrying values of retirement asset of the Association are disclosed in Note 15.

As at December 31, 2016 and 2015, management assessed that there is no significant judgment exercised in respect to the preparation of the financial statements.

4. Cash in Banks

This account consists of:

	2016	2015
Demand deposits	**₱27,477,175**	₱21,861,239
Savings deposits	**17,005,164**	10,067,042
Time deposits	**8,716,686**	8,445,647
	₱53,199,025	₱40,373,928

Demand and savings deposits earn annual interest rates ranging from nil to 3.0% and nil to 4.3% in 2016 and 2015, respectively.

Demand deposits which are non-interest bearing amounted to ₱8.3 million and ₱5.4 million in 2016 and 2015, respectively.

Time deposits have original maturities of less than three (3) months with an annual interest rates ranging from 1.0% to 4.3% and 2.0% to 3.8% in 2016 and 2015, respectively.

Interest income earned on the Association's cash in banks amounted to ₱0.9 million and ₱0.5 million in 2016 and 2015, respectively.

5. Short-term Investments

Short-term investments represent time deposits which have maturity of more than three (3) months with annual interest rates ranging from 1.0% to 4.3% and 2.0% to 3.8% in 2016 and 2015, respectively.

Interest earned on short-term investments amounted to ₱1.1 million and ₱0.8 million in 2016 and 2015, respectively

6. Receivables

This account consists of:

	2016	2015
Receivables from students	**₱2,569,828**	₱253,468
Receivables from trainees and participants	**1,051,423**	836,064
Receivables from related parties (Note 16)	**331,989**	2,819,009
Interest receivable	**260,480**	296,042
Receivable from contractor	**11,205**	11,205
	4,224,925	4,215,788
Less: Allowance for doubtful accounts	**686,185**	504,479
	₱3,538,740	₱3,711,309

Receivable from contractor pertains to excess of billings over the contract costs incurred in construction in progress. This receivable is fully impaired and provided for with 100.0% allowance.

Changes in the allowance for doubtful accounts follow:

	2016	2015
Balance at beginning of year	**₱504,479**	₱930,155
Provision for (reversal of) doubtful accounts	**181,706**	(425,676)
Balance at end of year	**₱686,185**	₱504,479

Receivables are assessed collectively for impairment purposes.

7. Other Current Assets

This account consists of:

	2016	2015
Prepaid expenses	**₱619,709**	₱1,025,418
Supplies inventory	**448,054**	555,463
	₱1,067,763	₱1,580,881

Prepaid expenses include prepayments for insurance and other expenses.

8. **Property and Equipment**

The composition of and movements in this account follow:

2016

	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	**₱15,958,588**	**₱3,757,605**	**₱56,749,163**	**₱14,164,838**	**₱4,131,477**	**₱1,949,016**	**₱16,618,231**	**₱113,328,918**
Additions	**106,531**	**709,146**	**1,564,006**	**4,761,178**	**–**	**–**	**26,455,915**	**33,596,776**
Write-off	**–**	**–**	**–**	**(768,019)**	**–**	**–**	**–**	**(768,019)**
Reclassifications (Note 9)	**–**	**2,256,352**	**21,076,465**	**13,198**	**–**	**–**	**(23,332,817)**	**13,198**
Balance at end of year	**16,065,119**	**6,723,103**	**79,389,634**	**18,171,195**	**4,131,477**	**1,949,016**	**19,741,329**	**146,170,873**
Accumulated Depreciation								
Balance at beginning of year	**–**	**1,943,297**	**26,479,103**	**7,630,242**	**3,536,306**	**1,071,843**	**–**	**40,660,791**
Depreciation	**–**	**1,052,626**	**8,662,499**	**3,389,003**	**297,585**	**210,438**	**–**	**13,612,151**
Write-off	**–**	**–**	**–**	**(768,019)**	**–**	**–**	**–**	**(768,019)**
Reclassifications (Note 9)	**–**	**–**	**–**	**3,959**	**–**	**–**	**–**	**3,959**
Balance at end of year	**–**	**2,995,923**	**35,141,602**	**10,255,185**	**3,833,891**	**1,282,281**	**–**	**53,508,882**
Net Book Value	**₱16,065,119**	**₱ 3,727,180**	**₱44,248,032**	**₱7,916,010**	**₱297,586**	**₱666,735**	**₱19,741,329**	**₱92,661,991**

2015

	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	₱8,458,588	₱3,757,605	₱53,530,357	₱8,814,916	₱4,131,477	₱1,594,794	₱708,113	₱80,995,850
Additions	7,500,000	–	2,464,245	5,956,786	–	354,222	16,770,368	33,045,621
Write-off	–	–	(135,689)	(576,864)	–	–	–	(712,553)
Reclassifications	–	–	890,250	(30,000)	–	–	(860,250)	–
Balance at end of year	15,958,588	3,757,605	56,749,163	14,164,838	4,131,477	1,949,016	16,618,231	113,328,918
Accumulated Depreciation								
Balance at beginning of year	–	514,603	19,240,593	6,582,309	2,866,343	896,828	–	30,100,676
Depreciation	–	1,428,694	7,374,199	1,624,797	669,963	175,015	–	11,272,668
Write-off	–	–	(135,689)	(576,864)	–	–	–	(712,553)
Balance at end of year	–	1,943,297	26,479,103	7,630,242	3,536,306	1,071,843	–	40,660,791
Net Book Value	₱15,958,588	₱1,814,308	₱30,270,061	₱6,534,596	₱595,171	₱877,173	₱16,618,231	₱72,668,128

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

	2016	2015
Cost of seminars, trainings, and other programs (Note 11)	**₱10,950,739**	₱10,606,410
Tertiary (Note 12)	**1,921,960**	50,334
Administrative	**692,790**	615,924
Senior high school (Note 13)	**46,662**	–
	₱13,612,151	₱11,272,668

Construction in progress represents costs recognized by the Association on building improvement and construction of a new building.

As at December 31, 2016 and 2015, the total cost of fully depreciated assets still in use amounted to ₱19.1 million and ₱9.5 million, respectively.

9. **Software Costs**

The composition of and movements in this account follow:

	2016	2015
Cost		
Balance at beginning of year	**₱287,377**	₱198,929
Additions	**564,940**	88,448
Reclassifications (Note 8)	**(13,198)**	–
Balance at end of year	**839,119**	287,377
Accumulated Amortization		
Balance at beginning of year	**82,170**	42,384
Amortization	**88,653**	39,786
Reclassifications (Note 8)	**(3,959)**	–
Balance at end of year	**166,864**	82,170
Net Book Value	**₱672,255**	₱205,207

The breakdown of amortization expense on software costs follows:

	2016	2015
Cost of seminars, trainings, and other programs (Note 11)	**₱51,206**	₱30,586
Tertiary (Note 12)	**28,247**	–
Administrative	**9,200**	9,200
	₱88,653	₱39,786

10. **Accounts Payable and Accrued Expenses**

This account consists of:

	2016	2015
Current		
Accrued expenses	**₱5,420,163**	₱4,925,168
Accounts payable (Note 16)	**928,869**	8,063,028
Non-Current		
Funds held in trust (Note 16)	**5,460,966**	6,100,417
Unearned tuition fee	**2,272,258**	1,570,415
Withholding tax payable	–	194,477
	₱14,082,256	₱20,853,505

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

Accounts payable include the Association's payable to its affiliates, contractors and government and advances from customers.

Funds held in trust include donations received by the Association on behalf of CARD, Inc. for the Zero Dropout Education Scheme (ZeDrES). Total donations for ZeDrES received by the Association amounted to ₱1.3 million and ₱9.9 million in 2016 and 2015, respectively while outstanding balance amounted to nil and ₱0.6 million as at December 31, 2016 and 2015, respectively.

The Association also received ₱5.0 million and ₱10.0 million for the BS Scholarship Fund of CARD Bank, Inc. (CBI) and CARD, Inc. in 2016 and 2015, respectively. Outstanding balances pertaining to BS Scholarship Fund as at December 31, 2016 and 2015 amounted to ₱4.9 million and ₱5.5 million, respectively.

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

This account consists of:

	2016	2015
Meals of trainees	**₱37,409,669**	₱30,666,933
Room accommodation and function hall	**22,194,098**	17,104,890
Compensation and employee benefits (Notes 15 and 16)	**12,660,696**	11,409,462
Depreciation (Note 8)	**10,950,739**	10,606,410
Transportation and travel	**6,658,243**	10,051,274
Supplies and materials	**5,841,936**	5,269,895
Janitorial, messengerial and security	**3,114,678**	2,889,046
Utilities	**2,425,173**	2,072,699
Repairs and maintenance	**1,479,709**	1,775,799
Interest expense (Note 14)	**1,375,601**	303,955
Honorarium to resource persons	**1,262,612**	1,034,200
Representation expense	**779,631**	407,806
Information technology	**761,994**	1,062,248

(Forward)

	2016	2015
Laundry and ironing	**₱743,878**	₱626,018
Office rental (Notes 14 and 16)	**733,192**	706,863
Communication and postage	**363,697**	390,550
Library books (Note 9)	**163,670**	490,164
Miscellaneous	**939,407**	670,909
	₱109,858,623	₱97,539,121

Miscellaneous expenses include periodicals and magazines, insurance expense and other program-related costs.

12. **Tertiary Expenses**

This account consists of:

	2016	2015
Depreciation (Note 8)	**₱ 1,921,960**	₱50,334
Management and professional fees	**897,027**	137,611
Compensation and employee benefits (Notes 15 and 16)	**757,411**	221,261
Supplies and materials	**366,363**	300,425
Transportation and travel	**289,788**	214,565
Janitorial, Messengerial, Security	**262,118**	–
Utilities	**232,086**	41,897
Repairs and maintenance	**123,764**	62,080
Representation	**94,140**	97,531
Advertising and publicity	**44,420**	144,000
Information technology	**30,263**	35,616
Staff training and development and meetings	**11,048**	77,284
Communication and postage	**7,692**	11,621
Library books	–	45,978
Miscellaneous	**217,422**	70,330
	₱5,255,502	₱1,510,533

13. **Senior High School Expenses**

For the year ended December 31, 2016, this account consists of:

Compensation and employee benefits (Notes 15 and 16)	₱1,026,721
Supplies and materials	392,261
Management and professional fees	195,811
Transportation and travel	155,988
Janitorial, Messengerial, Security	123,894
Advertising and publicity	62,811
Utilities	53,965

(Forward)

Depreciation (Note 8)	₱46,662
Repairs and maintenance	42,931
Staff training and development and meetings	26,620
Representation	17,317
Communication and postage	8,014
Library books (Note 9)	4,343
Miscellaneous	32,803
	₱2,190,141

14. **Lease Contracts - Lessee**

Operating Lease Agreement
As at December 31, 2016, the Association has one outstanding lease contract for the lease of one commercial building from CARD, Inc., with lease term of three (3) years until November 15, 2019, and one commercial building from CARD Bank Inc., with lease term of five (5) years starting from June 1, 2014 until May 31, 2019. The lease of properties is renewable upon mutual agreement between the Association and the lessor.

Future aggregate minimum lease payments under non-cancellable operating leases follow:

	2016	2015
Not later than one year	**₱855,478**	₱706,863
Later than one year and not later than five years	**1,912,929**	647,958
	₱2,768,407	₱1,354,821

Lease payments recognized under 'Office rental' amounted to ₱0.7 million in 2016 and 2015 (see Note 11).

Finance Lease Agreement
The Association entered into lease agreements with Responsible Investments for Solidarity and Empowerment (RISE) Financing Company, Inc. covering equipment and furniture and fixtures for a period of three (3) years with acquisition cost amounting to ₱1.1 million and ₱5.1 million in 2016 and 2015, respectively. The lease agreements provide implicit interest rates ranging from 1.4% to 1.8% annually.

Future aggregate minimum lease payments are as follows:

	2016		
	Not later than one year	**Later than one year and less than five years**	**Total**
Principal payments	**₱1,957,640**	**₱1,631,535**	**₱3,589,175**
Finance charge	**517,100**	**202,807**	**719,907**
Minimum lease payments	**₱2,474,740**	**₱1,834,342**	**₱4,309,082**

	2015		
	Not later than one year	Later than one year and less than five years	Total
Principal payments	₱1,394,431	₱3,267,567	₱4,661,998
Finance charge	641,941,	565,742	1,207,683
Minimum lease payments	₱2,036,372	₱3,833,309	₱5,869,681

Interest expense recognized on the finance leases amounted to ₱1.4 million and ₱0.3 million in 2016 and 2015, respectively (see Note 11).

Security deposits required by the lease agreements amounting to ₱0.8 million and nil as at December 31, 2016 and 2015, respectively, are included in the “Other noncurrent assets”

15. Retirement Benefits

The Association, CBI, CARD Mutual Benefit Association (MBA), Inc., CARD SME Bank, Inc., CARD MRI Insurance Agency (CAMIA), Inc., CARD Business Development Service Foundation, Inc. (BDSFI), Inc., CARD MRI Information Technology, Inc. (CMIT), CARD Employees Multi-Purpose Cooperative (EMPC), Responsible Investments for Solidarity and Empowerment Financing Co. (RISE), BotiCARD Inc., CARD Leasing and Finance Corporation (CLFC), RBI, CARD, Inc. and Mga Likha ni Inay Inc. (MLNI), maintain a funded and formal noncontributory defined benefit retirement plan - the CARD MRI Multi-Employer Retirement Plan (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. MERP is valued using the projected unit cost method and is financed solely by the Association and its related parties.

MERP and Hybrid Plan comply with the requirements of Republic Act No. 7641 (Retirement Law). 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.

Hybrid Plan provides a retirement benefit equal to 100% of the member’s employer accumulated value (the Bank’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 no employees which are part of Hybrid Plan as at December 31, 2016.

The latest actuarial valuation report covers reporting period as at December 31, 2016.

The amounts recognized in the statement of assets, liabilities and fund balance follow:

	2016	2015
Present value of defined benefit obligation	**(₱12,655,246)**	(₱18,910,080)
Fair value of plan assets	**22,732,787**	19,159,417
Effect of asset ceiling	**(2,076,157)**	(14,944)
Retirement asset	**₱8,001,384**	₱234,393

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

	2016	2015
Current service cost	**₱1,687,265**	₱899,651
Interest income on plan assets	**(1,044,270)**	(792,018)
Interest on the effect of asset ceiling	**753**	39,755
Interest expense on defined benefit obligation	**953,068**	468,599
Retirement expense	**1,596,816**	615,987
Remeasurement loss (gain) recognized during the year	**(6,632,683)**	6,307,130
	(₱5,035,867)	₱6,923,117

The movements in the net retirement asset follow:

	2016	2015
Balance at beginning of year	**₱234,393**	₱5,317,605
Contributions paid (Note 16)	**2,731,124**	1,839,905
Retirement income (expense)	**5,035,867**	(6,923,117)
Balance at end of year	**₱8,001,384**	₱234,393

The movements in the present value of pension obligation follow:

	2016	2015
Balance at beginning of year	**₱18,910,080**	₱10,506,701
Actuarial loss (gain)	**(9,284,500)**	6,851,998
Current service cost	**1,687,265**	899,651
Interest cost	**953,068**	468,599
Benefits paibd	**(202,640)**	–
Transfers to the plan	**591,973**	183,131
Balance at end of year	**₱12,655,246**	₱18,910,080

Remeasurement gain or loss on retirement plan follows:

	2016	2015
Actuarial loss (gain)	**(₱9,284,500)**	₱6,851,998
Remeasurement (gain) loss - Effect of the asset ceiling	**2,060,460**	(916,171)
Remeasurement (gain) loss - Return on assets excluding amount included in net interest cost	**591,357**	371,303
	(₱6,632,683)	₱6,307,130

The movements in the remeasurement gain or loss follow:

	2016	2015
Balance at beginning of year	**₱19,159,417**	₱16,715,666
Contributions paid by employer	**2,731,124**	1,839,905
Interest income	**1,044,270**	792,018
Transfers to the plan	**591,973**	183,131
Benefits paid	**(202,640)**	–
Return on plan assets(excluding amount included in net interest)	**(591,357)**	(371,303)
Fair value of plan assets at end of year	**22,732,787**	19,159,417
Effect of asset ceiling	**(2,076,157)**	(14,944)
Balance at end of year	**₱20,656,630**	₱19,144,473

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

	2016	2015
Cash and cash equivalents	**₱9,443,200**	₱7,799,799
Debt instruments – Government bonds	**10,675,317**	8,757,770
Investment in equity securities	–	149,443
Loans	**1,716,325**	2,023,234
Other assets	**897,945**	429,171
	₱22,732,787	₱19,159,417

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. Investment in equity securities, loans and other assets 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:

	2016	2015
Discount rates		
January 1	**5.04%**	4.46%
December 31	**5.86%**	5.04%
Future salary increases	**7.00%**	10.00%

The Association plans to contribute ₱3.0 million to the defined benefit retirement plan in 2017.

As at December 31, 2016, the average duration of defined benefit obligations is 16.0 years.

16. Related Party Transactions

In the ordinary course of business, the Association transacts with related parties. Related parties include trustees, members, officers, employees and entities (affiliates) where trustees, members 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 Section 33 of PFRS for SMEs.

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

	2016	2015
Short-term employee benefits	**₱1,723,013**	₱1,422,226
Post-employment benefits	**805,465**	747,036
	₱2,528,478	₱2,169,262

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 affiliates within the CARD MRI, also qualify as related party transactions.

Related party transactions and balances as at and for the years ended December 31, 2016 and 2015 are as follows:

		December 31, 2016	
Category	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Other related parties			
Cash in bank and short-term investments		**₱75,283,316**	Checking, savings and time deposit accounts with annual interest rate ranging from 1.0% to 4.3%
Deposits	**₱238,557,895**		
Withdrawals	**(220,309,386)**		
Interest income	**1,990,419**		From savings and time deposit
Equity investment at cost	–	**4,373,900**	Investments in CMIT with 4.08% ownership.
Accounts receivable		**331,989**	For training fees, seminars and meetings and share of expenses

(Forward)

		December 31, 2016	
Category	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Billings	**₱223,011,923**		
Collections	**(225,498,943)**		
Accounts payable		**₱65,249**	Share of expenses
Billings	**5,705,159**		
Payments	**(5,728,077)**		
Funds held in trust		**4,928,660**	Funds received by the Association in behalf of CARD, Inc. for ZeDrES program.
Receipts	**6,315,600**		Funds received for the BS scholarship of CBI and CARD. Inc.
Disbursements	**(7,417,356)**		
Lease liability		**4,279,787**	Lease of equipment and furniture and fixture from RISE
Seminars and trainings	**165,482,064**		Income derived from providing seminars and trainings to CARD MRI group and the related affiliates
Facilities fee	**866,175**		Income derived from the use of facilities to CARD MRI group and external parties for various events
Dividend income	**262,434**		Income derived from the Association's investment in equity shares
Donations and Contributions	**100,000**		Funds received by the Association for the expenses of BS Scholarship
Rent expense	**810,560**		The Association leases premises occupied by its branches. Rent expense is recorded under 'Office rental' (see Note 11)
Contributions	**2,731,124**	**2,731,124**	Pertains to the funded and formal noncontributory defined benefit retirement plan of the Bank that is handled by CARD MERP (see Note 15)

		December 31, 2015	
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Other related parties			
Cash in bank		₱55,044,388	Checking, savings and time deposit accounts with annual interest rate ranging from 1.0% to 4.3%
Deposits	₱153,603,421		
Withdrawals	(145,519,438)		
Interest income	1,236,239		From savings and time deposit
Equity investment at cost	1,345,483	4,373,900	Investments in CMIT with 4.08% ownership.
Accounts receivable		2,819,009	For training fees, seminars and meetings and share of expenses
Billings	202,434,176		
Collections	(205,753,264)		
Accounts payable		54,948	Share of expenses
Billings	2,784,987		
Payments	(3,151,609)		
Funds held in trust		6,030,416	Funds received by the Association in behalf of CARD, Inc. for ZeDrES program Funds received for the BS scholarship of CBI and CARD. Inc.
Receipts	20,539,014		
Disbursements	(14,515,098)		
Lease liability		4,831,691	Lease of equipment and furniture and fixture from RISE
Seminars and trainings	148,699,753		Income derived from providing seminars and trainings to CARD MRI group and the related affiliates
Facilities fee	463,419		Income derived from the use of facilities to CARD MRI group and external parties for various events
Dividend income	262,434		Income derived from the Association's investment in equity shares
Donations and Contributions	805,773		Funds received by the Association for the expenses of BS Scholarship
Rent expense	706,863		The Organization leases premises occupied by its branches. Rent expense is recorded under 'Office rental' (see Note 11)
Retirement Plan			
Contributions	1,839,905	1,839,905	Pertains to the funded and formal noncontributory defined benefit retirement plan of the Bank that is handled by CARD MERP (see Note 15)

17. Notes to Statements of Cash Flows

Noncash activities of the Association consist of the following:

	2016	2015
Noncash investing activities:		
Acquisition of property and equipment through finance lease	**₱1,146,933**	₱5,140,682
Acquisition of property and equipment on account	–	6,000,000

18. Approval for the Release of Financial Statements

The accompanying financial statements of the Association were authorized for issue by the BOT on March 18, 2017.

19. Supplementary Information under RR 15-2010

The Association reported and/or paid the following types of taxes in 2016:

Taxes and Licenses
Taxes and licenses in 2016 recorded as 'Taxes and licenses' presented under 'Administrative expenses' in the statements of revenues and expenses and changes in fund balance consist of:

Real property tax	₱370,664
Business permits and licenses	100,290
Community tax certificate	6,902
Annual registration	2,000
Other taxes	286,504
	₱766,360

Withholding Taxes
The following withholding taxes are categorized into:

	Paid during the year	Accrued at year-end
Withholding tax on compensation	₱928,077	₱–
Expanded withholding tax	2,042,881	–
	₱2,970,958	₱–

Tax Contingencies
The Association has no pending tax cases or assessments as at December 31, 2016.