READY AND STRONGER FOR THE ASEAN INTEGRATION

CARD-MRI DEVELOPMENT INSTITUTE, INC.
ANNUAL REPORT 2015

ABOUT THE COVER

As Southeast Asian countries unite into one single region, CARD Mutually Reinforcing Institutions continues to synergize to bring socioeconomically challenged women, their families and their community a holistic approach to development. CARD-MRI Development Institute, Inc. focuses on providing trainings and education for CARD MRI staff, clients, and their families.

Each client in the covers of the annual reports represent an institution, completing a bigger picture. The blue, red, and yellow waves merges and unifies the institution, signifying how the economic integration made our institutions stronger and united as a group.

Rosanna Villamor is a CARD Bank member and a single mother of seven children. Her second eldest daughter is one of the first batch of students studying BS Entrepreneurship in CMDI. She believes that with quality education, her daughter can have a brighter future, especially with the opportunities promised by the ASEAN Economic Integration.

VISION

CMDI is a globally respected development institute that provides exceptional practitioner-led training and education services to create competent and dedicated people who empower and uplift socio-economically challenged families.

MISSION

CMDI commits to:

> Equip CARD MRI staff with competencies, values and spirit to excel in achieving the mission of CARD MRI;

> Empower CARD MRI members to further improve the quality of life in their communities by facilitating learning on entrepreneurship and development; and

> Share best practices in integrated microfinance and non-financial development services with practitioners from around the world.

10 member countries of the ASEAN region

- BRUNEI DARUSSALAM
- CAMBODIA
- INDONESIA
- LAO PDR
- MALAYSIA
- MYANMAR
- PHILIPPINES
- SINGAPORE
- THAILAND
- VIETNAM

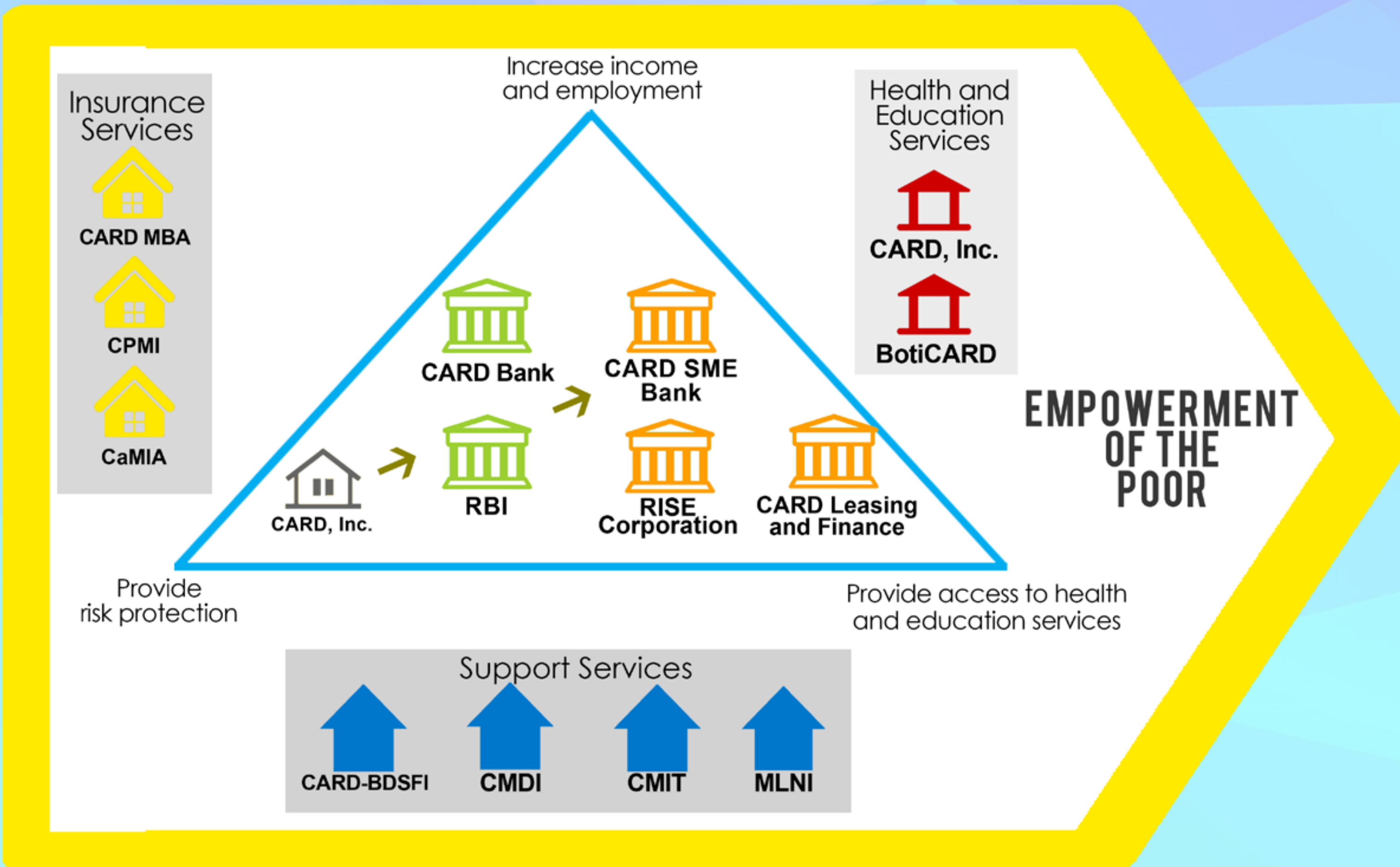
What is the ASEAN integration?

10 SOUTHEAST ASIAN COUNTRIES ONE SINGLE MARKET

FOR THE FREE FLOW OF

FOUNDED ON FOUR BASIC INITIATIVES

- CREATING A SINGLE MARKET AND PRODUCTION BASE
- INCREASING COMPETITIVENESS
- PROMOTING EQUITABLE ECONOMIC DEVELOPMENT
- INTEGRATING ASEAN WITH THE GLOBAL ECONOMY



5-8-40 CARD MRI STRATEGIC DIRECTION

Along with the introduction of the ASEAN integration, our stronghold to be versatile and pliant is the 5-8-40 CARD MRI Strategic Direction. We are confident that with the implementation of this 5-year strategic plan, we will be able to empower the poor through increasing income and employment and providing insurance, health and education services to them. Through 5-8-40, we aim to achieve a friendly environment for financial inclusion of a bigger unbanked, uninsured and unserved population.

FOCUS AREAS

FOCUS 1	FOCUS 2	FOCUS 3
INCOME AND EMPLOYMENT	**HEALTH AND EDUCATION**	**RISK PROTECTION**
We want to help improve income and create employment opportunities.	We want to improve health and reduce the incidence of sickness and death. We aspire to provide opportunities for higher education for deserving Nanays and children of poor families.	We aspire to provide risk protection against loss of life or property caused by sickness, death or catastrophic events.
How?	How?	How?
We are providing financing for micro-, small- and medium-scale businesses, non-financial business, development services.	We are facilitating access to professional healthcare providers and facilities universal healthcare affordable medicines We will provide financing opportunities for higher education.	We are providing affordable life and non-life microinsurance.

ALWAYS READY, ALWAYS AHEAD

EDZEL A. RAMOS
Dean/Institute Director

The preparation for the ASEAN Community involves different stages. In 2015, the economic integration was introduced that resulted to a stiffer competition in all sectors including training and education. But being an institution that is constantly improving to maintain excellence and competence, we are always ready for any changes that may come our way, including the ASEAN Integration.

Having formed a niche in microfinance and other development trainings, we are confident that we can compete strongly and do well. We have established our institution as the preferred choice in providing microfinance trainings as we have been imparting proven and tested technologies to MFIs in the Philippines and other neighboring countries.

Our method of learning by doing is our primary advantage. As we are closely linked to our member institutions under CARD MRI, we can easily expose our participants to our microfinance operations and other social development activities. We offer practical exercises like field visits that could enhance the behavioral and technical aspects of the participants.

Because of this, we have developed a tremendous influence in Cambodia, Vietnam, Lao PDR, and Indonesia. We have also strengthened our presence in Myanmar, immediately after it opened itself again to the international community. We can only see the integration as a greater opportunity to widen our presence, as well as to share our technologies to more microfinance institutions in the region.

STAYING ON TOP

CMDI strives to be continuously relevant to our main audiences: our staff and clients. We continue to listen to their feedback so that we can cope with their changing needs. We developed various training designs that could further improve the business of our members. These are livelihood trainings, enterprise development trainings, and product development trainings.

With a partnership with Mga Likha ni Inay, Inc., CMDI was also able to assist in organizing seminars for our members. The seminars tackle topics on government regulations, proper business handling, and new ideas for additional businesses. Having a network of credible and inspiring resource persons, we were also able to invite successful entrepreneurs who gave a talk about their businesses.

The summit also became a venue for members to get a better grasp of what the ASEAN Integration is all about. Through an orientation conducted by CARD MRI's Community Development Group, the members who participated in the event were made ready for the changes that the integration may bring. **(Turn to page 8)**

BREAKING THE CYCLE OF POVERTY THROUGH EDUCATION

ROSANNA VILLAMOR
CARD Bank member and parent of CMDI student

Being a single mother places both the roles of a father and a mother on my shoulders. Among all my responsibilities, providing the basic needs of my seven children are the topmost of my priorities. I put in all my energy; even if it means engaging in jobs that are typically done by men.

Our family's source of income usually comes from labor intensive jobs like *pagbubuhangin (sand dealing), pagbabasahan* (rag-making), and *pag-uuling (charcoal-making)*. Coming from a poor family myself, I was raised to do jobs that entail a lot of physical work. At an early age, I was already tagging along my mother doing jobs to provide for our big family. Because of poverty, I was not able to finish my schooling.

There's not a day in a week when I don't work. Sometimes, my children also help out so that I could finish my tasks faster. But still, our income is barely enough for all our needs. This year, three of my children dropped out of school.

Despite the difficulties we face, I am grateful that CARD has stood by our side since I became a member four years ago. Aside from helping us financially, it has given me hope that change is about to come. When CMDI started offering BS Entrepreneurship in 2015, my second to the eldest daughter, Robielyn, had the opportunity to become one of the first students of the school.

CHANGING DESTINY

I acknowledge that education can change my children's destiny. It has always been my dream to see them succeed. But with the current situation of our family, having my children graduate from high school is already difficult to achieve. I always give my older children "the talk" when they graduate from elementary level. This talk consists of me explaining to them how I can only afford to give them an allowance of P20 everyday, which means they could not join any other extracurricular activity in school. As much as this talk hurts me as well, this is a reality that our family has to face.

I was lucky enough that my children are exceptionally resourceful, especially Robielyn. All throughout high school, Robielyn never asked for a single peso from me. She was very determined to finish high school that she worked for their canteen so that she can earn P150 daily. This part-time job also gave her free lunch and snacks. When she had free time, she spent it by accepting laundry and tutoring jobs. She helped me in providing her siblings with extra money to pay for their allowance and buy materials for projects.

LIMITLESS OPPORTUNITIES AHEAD

Robielyn is also eager in taking scholarship examinations. This enabled her to find one that pays for all her tuition fees for her college education. She chose to enroll at CMDI because aside from proximity, CMDI offers limitless opportunities for poor families like us.

At CMDI, students are allowed to have part-time jobs. In Robielyn's case, working for CMDI as a student assistant does not only make her earn money for her allowance, it has also allowed her to work with social development practitioners from CARD that help her understand what CARD does for the socioeconomically challenged.

CMDI's assistance to our family does not end after graduation. With their enrollment to employment program, I trust that Robielyn and the other students in CMDI have a brighter future waiting for them. With the integration of ASEAN countries starting in 2015, I believe that CMDI is ready to impart the knowledge and train the skills to produce competitive workers in the future. My daughter getting a degree from one of the leaders in microfinance and social development in Asia is definitely a dream come true. I am looking forward to a future where my daughter, together with CARD MRI and its pool of excellent and competent change advocates, becomes an instrument in ending poverty in the country.

(From to page 6)

We also continue to offer our Lakbay Aral Program (Study Tour Program) for our members. We bring them to our head office to meet the people behind CARD MRI, to their fellow members whose businesses have flourished, and to some tourist spots and historical destinations in the country. With a simple gesture of taking these members for a tour of who we are and what we do, they return the favor greatly: by marketing our institutions to their centers and communities. This way, our members become our very own CARD ambassadors.

TRAINING THE BEST CHANGE ADVOCATES

As the training arm of CARD MRI, CMDI has an important task of ensuring that all staff are competent in doing their jobs. We are with them from the very start of their careers, molding them into the best change advocates. We now made our training for account officers called Account Officers Ready to Go (AORTG) available to other AOs of other MFIs. We are a certified Microfinance Technology National Certificate II (NCII in MF Tech) provider and an accredited assessment center in TESDA. As of now, we have two certified assessor from our pool of staff. We are planning to have all of our Training Officers certified as assessors by 2016.

We also ensure that our account officers are ready for career advancement. We designed trainings that are specific in enhancing skills of these staff for higher level positions such as Unit Manager Ready to Go (UMRTG) and Regional Director Ready to Go (RDRTG) trainings. Other trainings for them are Customer Service Management Training, Facilitation Trainings, and Training of Trainers for Credit with Education.

Each year, selected staff from different regions are also given the chance to participate in team building activities and confidence-building events organized by CMDI. We conducted CARD MRI All Heroes Interaction, an event that aims to redefine heroism and to instill in the minds of the staff that they are modern-day heroes through group dynamics and team building activities.

GIVING BACK TO THE COMMUNITY

The year 2015 is a remarkable year for CMDI as it has received the approval of CHED to operate as a college. Currently, CMDI has 149 students taking up BS Entrepreneurship with specialization in Microfinance. The students enrolled in the college are composed of new high school graduates from Bay and nearby towns and CARD MRI staff.

The establishment of the college also became a venue for CMDI to give back to the community. Through the NSTP of the students, out of school children were encouraged to make reading a habit through a Read-along activity conducted on some weekends during the past two semesters. The students also initiated a tree-planting activity wherein they are highly commended by community leaders and their own parents. In the semesters to come, the students are looking into exploring new activities that may help the community like creating a healing garden with natural herbs and medicines.

By 2016, CMDI Bay and Tagum campuses will be ready to accept Senior High School students as approved by DepEd. CMDI Bay campus will be offering programs in Accountancy, Business and Management (ABM) and Computer Programming while CMDI Tagum campus will be offering Accountancy and Business and Management (ABM). We are elated that CMDI can bring quality education to the youth. As we are an institution that always emphasizes poverty eradication as its mission, we hope to produce graduates that have the heart to serve the country. By doing so, we believe that we are contributing to the development of the country.

MODERNIZING TO REACH MORE

As CARD MRI continues to expand and multiply its manpower, CMDI also continues to intensify its capability to train and educate. With the advent of technology right at our fingertips, we look forward to educating our training participants and students wirelessly. We have started the use of e-learning tools and web-based learning materials. We plan to invest on such platforms to minimize costs while maximizing the technology of today's generation. Modernizing our processes can also help us strengthen our international presence even more.

With this plan in mind, we hope to contribute greatly to CARD MRI strategic 5-8-40 goal by 2020. It would be a privilege for us to become the institution that shaped the mindset and aligned the hearts of CARD MRI's change advocates.

CREATING IMPACT

ACCOMPLISHMENTS AS OF DECEMBER 2015

TRAININGS CONDUCTED
1,128 BATCHES

TRAINING PARTICIPANTS
28,066

CREDIT WITH EDUCATION
968,088 MEMBERS

DEGREE PROGRAM SCHOLARS
286 GRADUATES

CMDI COLLEGE STUDENTS
149

E-LEARNING
116 COMPLETERS

MF TECH NC II
203 TRAINEES

MAIN CAMPUS
1

CAMPUSES
4

STAFF
42

SCHOOL ACTIVITIES

Opening a college is one of the highlights of our year. Aside from providing quality education to the youth, we also made sure that our school activities are anchored to our mission of bringing development Here are some of the school activities in 2015:

(1) School opening
(2) Acquiantance Party
(3) Be Less, Be Blessed Program
(4) Linggo ng Wika
(5) English Week
(6) Read Along Project

TRAININGS AND EVENTS

CMDI continues to be the venue for important CARD MRI training, events and meetings like the bi-annual business review and planning, Natatanging Kawani Awards, and Pagkilala sa Mga Likha ni Inay.

We also pave the way for staff and management to get higher education. This year, another batch of students from the Development Academy of the Philippines graduated.

We are also the institution that welcomes our local and international guests, including Hong Kong Consul General Bernardita L. Catalla.

OUR BOARD OF DIRECTORS

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President

Dr. Dolores M. Torres
Director

Dr. Gelia T. Castillo
Director

Dr. Gilberto M. Llanto
Director

Dr. Agnes C. Rola
Director

Dr. Enrique S. Navarro
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Ex-officio Board-at-Large

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Director

Ma. Luisa P. Cadaing
Director

Flordeliza L. Sarmiento
Director

Dr. Rosalina J. Fuentes
Director

Prof. Takayoshi Amenomori
Ex-officio Board-at-Large

Pascuala Geñoso
Ex-officio Member

OUR MANAGEMENT COMMITTEE

Edzel A. Ramos
Dean/ Institute Director

Enrique S. Navarro
Senior Managing Adviser/
Vice President for Academic Affairs

Neil M. Polinag
Training Director

Feliciano B. Blanco
Deputy Director for Training in Luzon

Carissa Monina C. Ramirez
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Christian Albert A. Sandoval
Deputy Director for Training in Mindanao

Joselita V. Lanao
Learning Resource Manager

Glenda M. Lagarile
Deputy Director for Degree Education Program
and Evaluation

Maridel A. Manalo
Deputy Director for Finance and Admin

DIRECTORY

CMDI Bay Campus
Brgy. Tranca, Bay, Laguna

CMDI Pasay Facility
#544 Tolentino St., Brgy. 133, Pasay City

CMDI Masbate Facility
Quezon St., Masbate City

CMDI Baguio Facility
#15 Palma Urbano St., Baguio City

CMDI Tagum Campus
Purok Mankilam, Tagum, Davao

OUR PARTNERS

Forbes College
University of the Philippines in Los Baños
Technical Education and Skills Development Authority (TESDA)
Development Academy of the Philippines (DAP)
Freedom from Hunger
Southeast Asia Interdisciplinary Development Institute (SAIDI)
Bankers' Association of the Philippines (BAIPHIL)

AUDITED FINANCIAL STATEMENTS

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

STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE

	December 31	
	2015	2014
ASSETS		
Current Assets		
Cash in banks (Notes 4 and 15)	**₱40,373,928**	₱57,593,905
Short-term investments (Note 5)	**51,690,481**	–
Receivables (Notes 6 and 15)	**3,711,309**	5,813,823
Other current assets (Note 7)	**1,580,881**	1,139,426
Total Current Assets	**97,356,599**	64,547,154
Noncurrent Assets		
Property and equipment (Note 8)	**72,668,128**	50,895,174
Equity investment at cost (Note 15)	**4,373,900**	4,373,900
Software costs (Note 9)	**205,207**	156,545
Retirement asset (Note 14)	**234,393**	5,317,605
Total Noncurrent Assets	**77,481,628**	60,743,224
	₱174,838,227	₱125,290,378
LIABILITIES AND FUND BALANCE		
Current Liability		
Accounts payable and accrued expenses (Notes 10 and 15)	**₱20,853,505**	₱13,083,066
Noncurrent Liability		
Lease liability (Note 15)	**4,831,691**	–
	25,685,196	13,083,066
Fund Balance		
General fund	**5,000,000**	5,000,000
Accumulated excess of revenue over expenses	**144,153,031**	107,207,312
	149,153,031	112,207,312
	₱174,838,227	₱125,290,378

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	
	2015	2014
REVENUE		
Seminars and trainings (Note 15)	**₱151,557,691**	₱106,417,348
Tuition fees and other school fees	**1,825,905**	–
Interest income (Notes 4, 5 and 15)	**1,345,483**	694,907
Donations and contributions (Note 15)	**808,393**	–
Facilities fee (Note 15)	**581,617**	831,885
Dividend income (Note 15)	**262,434**	787,302
Others	**446,778**	606,130
	156,828,301	109,337,572
EXPENSES		
Cost of seminars, trainings and other programs (Note 11)	**97,539,121**	71,669,294
Tertiary expenses (Note 12)	**1,510,533**	–
Administrative:		
Remeasurement loss (gain) on retirement plan (Note 14)	**6,307,130**	(7,250,046)
Program monitoring and meetings	**4,196,531**	2,182,340
Transportation and travel	**2,345,043**	2,496,218
Compensation and employee benefits (Notes 14 and 15)	**2,048,237**	3,499,694
Management and professional fees	**1,755,600**	2,593,810
Representation	**651,488**	1,568,583
Insurance	**648,384**	675,307
Depreciation and amortization expense (Notes 8 and 9)	**625,124**	721,747
Information technology	**508,555**	431,760
Staff training and development	**482,102**	1,213,184
Taxes and licenses	**449,542**	564,042
Utilities	**438,130**	342,027
Provision (reversal of provision) for doubtful accounts (Note 6)	**(425,676)**	121,397
Supplies and materials	**274,009**	199,475
Janitorial, messengerial, and security	**194,831**	340,219
Communication and postage	**189,816**	167,614
Repairs and maintenance	**101,037**	56,441
Miscellaneous	**43,045**	43,537
	20,832,928	9,967,349
	119,882,582	81,636,643
EXCESS OF REVENUE OVER EXPENSES	**36,945,719**	27,700,929
FUND BALANCE AT BEGINNING OF YEAR	**112,207,312**	84,506,383
FUND BALANCE AT END OF YEAR	**₱149,153,031**	₱112,207,312

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	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses	**₱36,945,719**	₱27,700,929
Adjustments for:		
Depreciation and amortization expense (Notes 8 and 9)	**11,312,454**	7,791,308
Remeasurement loss (gain) on retirement plan (Note 14)	**6,307,130**	(7,250,046)
Interest income	**(1,345,483)**	(694,907)
Retirement expense (Note 14)	**615,987**	1,742,883
Provision (reversal of provision) for doubtful accounts (Note 6)	**(425,676)**	121,397
Unrealized foreign exchange gain	**(406,862)**	(384,133)
Interest expense (Notes 11 and 12)	**309,057**	–
Dividend income (Note 15)	**(262,434)**	(787,302)
Operating income before working capital changes	**53,049,892**	28,240,129
Changes in operating assets and liabilities:		
Decrease (increase) in amount of:		
Short-term investments	**(51,690,481)**	–
Receivables	**2,777,641**	2,675,163
Other current assets	**(441,455)**	(222,169)
Increase (decrease) in amount of:		
Accounts payable and accrued expenses (Note 16)	**1,770,439**	2,825,377
Net cash generated from operations	**5,466,036**	33,518,500
Contributions to retirement fund (Note 14)	**(1,839,905)**	(1,411,930)
Dividends received (Note 15)	**262,434**	787,302
Interest received	**1,096,032**	706,869
Net cash provided by operating activities	**4,984,597**	33,600,741
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment (Notes 8 and 16)	**(21,904,940)**	(12,436,536)
Acquisition of software license (Notes 9 and 15)	**(88,448)**	(14,929)
Net cash used in investing activities	**(21,993,388)**	(12,451,465)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of finance lease	**(618,048)**	–
Net cash used in financing activities	**(618,048)**	–
NET INCREASE (DECREASE) IN CASH IN BANKS	**(17,626,839)**	21,149,276
EFFECTS OF EXCHANGE RATE CHANGES ON CASH IN BANK	**406,862**	384,133
CASH IN BANKS AT BEGINNING OF YEAR	**57,593,905**	36,060,496
CASH IN BANKS AT END OF YEAR	**₱40,373,928**	₱57,593,905

See accompanying Notes to Financial Statements.

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

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.

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 (PCNC) 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 and are presented in Philippine peso, the Association's functional currency. All values are rounded to the nearest peso unless 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).

Significant Accounting Policies

Current versus Noncurrent Classification
The Association presents assets and liabilities in the balance sheet based on whether it is current and noncurrent.

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 3 to 12 months from date of acquisition to date of maturity.

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of recognition
The Association recognizes a financial asset or a financial liability in the balance sheet when it becomes a party to the contractual provisions of the instrument.

Initial recognition of financial instruments
Financial assets and liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments measured at fair value through profit or loss (FVPL).

Classification of financial instruments
The Association classifies its financial instruments in the following categories: financial assets and financial liabilities at FVPL, financial assets that are debt instruments measured at amortized cost, financial assets that are equity instruments measured at cost less impairment, loan commitments measured at cost less impairment, and financial liabilities measured at amortized cost. The classification depends on the purpose for which the financial instruments are acquired and whether they are quoted in an active market. Management determines the classification at initial recognition and, where allowed and appropriate, reevaluates this classification at every reporting date.

As of December 31, 2015 and 2014, the Association does not have financial assets and liabilities measured at FVPL and loan commitments measured at cost less impairment.

Financial assets that are debt instruments at amortized cost
This category includes cash in banks, short-term investments and receivables.

After initial measurement, these financial assets 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 and costs that are an integral part of the effective interest rate. The amortization on receivables is included in 'Interest income' in the statement of revenue and expenses and changes in fund balance. The losses arising from impairment are recognized in 'Provision for doubtful accounts'.

Financial liabilities at amortized cost

This category includes accounts payable and accrued expenses (e.g. accounts payable, funds held in trust, accrued expenses, unearned tuition fee and lease payable) which are not designated at FVPL and where the substance of the contractual arrangement results in the Association having an obligation either to deliver cash or another financial asset to the holder.

After initial measurement, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate.

Classification of Financial Instruments between Debt and Equity

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

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

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

As an exception, an instrument that meets the definition of a financial liability is classified as an equity instrument if it has all the features and has no contractual obligation to:

- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Association; or
- satisfy the obligation by the exchange of variable amount of its own equity instruments, fixed amount of cash or fixed number of its own equity instruments.

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.

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

Derecognition of Financial Assets and Financial Liabilities

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; or
- the Association has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement and either (a) the Association has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred the control of the asset.

If a transfer does not result in derecognition because the Association has retained significant risks and rewards of ownership of the transferred asset, the Association continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received. The asset and liability shall not be offset. In subsequent periods, the Association recognizes any income on the transferred asset and any expense incurred on the financial liability.

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

For instruments measured at amortized cost, the impairment loss is the difference between the asset’s carrying amount and the present value of estimated cash flows discounted at the asset’s original effective interest rate. If such a financial instrument has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For instruments measured at cost less impairment, the impairment loss is the difference between the asset’s carrying amount and the best estimate (which will necessarily be an approximation) of the amount (which might be zero) that the Association would receive for the asset if it were to be sold at the reporting date.

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor’s credit rating), the Association reverses the previously recognized impairment loss either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset (net of any allowance account) that exceeds what the carrying amount would have been had the impairment not previously been recognized. The Association recognizes the amount of the reversal in the statement of revenue and expenses and changes in fund balance immediately.

Property and Equipment
Land is carried at cost less any impairment in value while depreciable property and equipment, which include land improvement, training facilities, office furniture, fixtures and equipment, transportation equipment, and leasehold improvements, are carried at cost less accumulated depreciation and any impairment in value.

The initial cost of property and equipment consists of its purchase price, including non-refundable taxes and directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged against current operations in the year in which such costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.
For property and equipment being constructed by an external contractor, costs are capitalized based on the percentage of completion of the project.

Depreciation (presented under 'Depreciation and amortization expense') is calculated on a straight-line basis over the useful life of the assets as follows:

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

The useful life and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from the asset.

If there is an indication that there has been a significant change in depreciation rate, useful life, or residual value of the asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

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 years and is recorded under 'Depreciation and amortization expense'account.

Impairment of Property and Equipment and Software Costs
An assessment is made at each reporting date to determine whether there is any indication of impairment on any long-lived assets or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased.
If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its fair value less cost to sell.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged against current operations in the year in which it arises.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any accumulated depreciation) had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is credited to current operations.

Accounts Payable and Accrued Expense
Accounts payable and accrued expenses are basic financial liabilities which are measured initially at the transaction costs and carried at amortized cost.

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 it is probable that the economic benefits will flow to the Association and that the revenue can be measured reliably. The following specific recognition criteria must be met before revenue is recognized:

Seminar and training fees
Seminar and training 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 from cash in banks is recognized on a time proportion basis as it accrues using the effective interest method.

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.

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

Dividend income
Income from equity investments is recognized when received.

Other income
Income from other sources is recognized when earned.

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 is covered by a funded noncontributory defined benefit retirement plan.

The Association's retirement cost is determined using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits payable in the future with respect to services rendered in the current period.

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.

The liability recognized in the statement of assets, liabilities and fund balance, in respect of defined benefit pension plans, is the present value of the defined benefit obligation less the fair value of plan assets at the reporting date. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability. Remeasurement gains or losses are immediately charged against or credited to current operations under 'Remeasurement gain or loss on retirement plan'.

Provisions
Provisions are recognized when an obligation (legal or constructive) is incurred as a result of a past event and where 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.

Contingencies
Contingent liabilities are not recognized in the financial statements. They 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 Date
Post year-end events that provide additional information about the Association's financial position at 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 Judgments and Estimates**

Judgment
Management makes judgments in the process of applying the Association's accounting policies. Judgments that have a significant effect on the reported amounts in the financial statements are discussed below.

a. *Operating lease - Association as lessee*
The Association has entered into commercial property leases wherein it has determined that all the significant risks and rewards of ownership of these properties are retained by the lessor. In determining whether or not there is indication of operating lease, the Association considers the period of lease contract relative to the estimated useful economic life of the leased property and bearer of executory costs, among others.

Finance lease – Association as lessee
The Association has entered into finance lease agreements covering equipment and furniture and fixture. The Association has determined, based on the evaluation of the terms and conditions of the arrangements, that it bears substantially all the risks and rewards incidental to ownership of the assets and so accounts for the contracts as finance leases (see Note 13).

Estimates
The key sources of estimation uncertainty at the reporting date that have significant risk of causing material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

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 receivable. 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. *Impairment of property and equipment and software costs*
The Association assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Association considers important which could trigger an impairment review include the following:
- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

The Association recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's value in use or its fair value less costs to sell. Recoverable amounts are estimated for individual assets.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Association is required to make estimates and assumptions that can materially affect the financial statements. The carrying values of property and equipment and software costs are disclosed in Notes 8 and 9.

c. *Estimated useful lives of property and equipment and software costs*
The Association estimates the useful lives of its property and equipment and software costs. This estimate is reviewed periodically to ensure that the period of depreciation and amortization is consistent with the expected pattern of economic benefits from the items of property and equipment and software costs. The estimated useful lives of property and equipment and software costs are disclosed in Note 2 to the financial statements.

d. *Present value of retirement obligation*
The cost of defined benefit pension plan and other post-employment benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on plan assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

The expected rate of return on plan assets was based on the market prices prevailing on that date applicable to the period over which obligation is to be settled. The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as at the reporting dates. Future salary increases are based on expected future inflation rates for the specific country. The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements.

The present value of the defined benefit obligation is disclosed in Note 14.

4. Cash in Banks

This account consists of:

	2015	2014
Demand deposits	**₱21,861,239**	₱19,210,738
Savings deposits	**10,067,042**	15,145,844
Time deposits	**8,445,647**	23,237,323
	₱40,373,928	₱57,593,905

Demand and savings deposits earn interest of nil to 4.3% in 2015 and 2014, respectively.

Demand deposits which are non-interest bearing amounted to ₱13.6 million and ₱5.6 million in 2015 and 2014, respectively.

Time deposits have maturities of less than three months with annual interest rates of 4.0% and from 2.0% to 3.8% in 2015 and 2014, respectively.

Interest income earned on the Association's cash in banks amounted to ₱0.5 million and ₱0.7 million in 2015 and 2014, respectively.

5. **Short-term Investments**

Short-term investments represent time deposits which have maturity of more than three months with annual interest rates of 2.0% to 4.3%.

Interest earned on short-term investments amounted to ₱0.8 million in 2015.

6. **Receivables**

This account consists of:

	2015	2014
Receivable from related parties (Note 15)	**₱2,819,009**	₱6,138,096
Receivable from trainees and participants	**836,064**	548,086
Interest receivable	**296,042**	46,591
Receivable from students	**253,468**	–
Receivable from contractor	**11,205**	11,205
	4,215,788	6,743,978
Less: Allowance for doubtful accounts	**504,479**	930,155
Total receivables	**₱3,711,309**	₱5,813,823

Receivable from contractor pertains to excess of billings over the contract costs incurred in construction in progress (Note 8). This receivable is fully impaired and provided for with 100% allowance.

Changes in the allowance for doubtful accounts are as follows:

	2015	2014
Balance at beginning of year	**₱930,155**	₱838,084
Provision (reversal of provision) during the year	**(425,676)**	121,397
Written off accounts	–	(29,326)
Balance at end of year	**₱504,479**	₱930,155

Receivables are assessed collectively for impairment purposes.

7. **Other Current Assets**

This account consists of:

	2015	2014
Prepaid expenses	**₱1,025,418**	₱886,713
Supplies inventory	**555,463**	252,713
	₱1,580,881	₱1,139,426

Prepaid expenses include prepayments for insurance, security deposits and other expenses.

8. **Property and Equipment**

The composition of and movements in this account follow:

2015

	Land	Land Improvement	Training Facilities	Office Furniture, Fixtures and Equipment	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	–	2,464,246	5,956,786	–	354,222	16,770,368	33,045,622
Disposals	–	–	(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	113,328,919
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
Disposal	–	–	(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

2014

	Land	Land Improvement	Training Facilities	Office Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvement	Construction in Progress	Total
Cost								
Balance at beginning of year	₱6,958,588	₱520,708	₱47,273,418	₱8,922,318	₱4,267,722	₱896,828	₱2,051,276	₱70,890,858
Additions	1,500,000	119,457	2,235,421	1,363,642	892,755	697,966	5,627,295	12,436,536
Disposals	–	–	(15,500)	(1,287,044)	(1,029,000)	–	–	(2,331,544)
Reclassifications	–	3,117,440	4,037,018	(184,000)	–	–	(6,970,458)	–
Balance at end 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
Accumulated depreciation								
Balance at beginning of year	–	433,845	13,668,466	6,447,057	3,234,033	896,828	–	24,680,229
Depreciation	–	80,758	5,587,627	1,422,296	661,310	–	–	7,751,991
Disposal	–	–	(15,500)	(1,287,044)	(1,029,000)	–	–	(2,331,544)
Balance at end of year	–	514,603	19,240,593	6,582,309	2,866,343	896,828	–	30,100,676
Net book value	₱8,458,588	₱3,243,002	₱34,289,764	₱2,232,607	₱1,265,134	₱697,966	₱708,113	₱50,895,174

The breakdown of depreciation expense on property and equipment follows:

	2015	2014
Cost of seminars, trainings, and other programs (Note 11)	**₱10,606,410**	₱7,039,444
Administrative	**615,924**	712,547
Tertiary (Note 12)	**50,334**	–
	₱11,272,668	₱7,751,991

Construction in progress represents costs recognized by the Association for the construction project for building improvements and construction of a new building.

As at December 31, 2015 and 2014, the total cost of fully-depreciated assets still in use amounted to ₱9.5 million and ₱8.1 million, respectively.

9. Software Costs

The composition of and movements in the account follow:

	2015	2014
Cost		
Balance at beginning of year	**₱198,929**	₱184,000
Additions	**88,448**	14,929
Balance at end of year	**₱287,377**	₱198,929
Accumulated Amortization		
Balance at beginning of year	**₱42,384**	₱3,067
Amortization	**39,786**	39,317
Balance at end of year	**₱82,170**	42,384
Net Book Value	**₱205,207**	₱156,545

The breakdown of amortization expense on software costs follows:

	2015	2014
Cost of seminars, trainings, and other programs (Note 11)	**₱30,586**	₱30,117
Administrative	**9,200**	9,200
	₱39,786	₱39,317

10. Accounts Payable and Accrued Expenses

This account consists of:

	2015	2014
Accounts payable (Note 15)	**₱8,063,028**	₱4,927,392
Funds held in trust (Note 15)	**6,100,417**	56,500
Accrued expenses	**4,925,168**	5,753,737
Unearned tuition fee	**1,570,415**	2,152,031
Withholding tax payable	**194,477**	193,406
	₱20,853,505	₱13,083,066

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

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 in 2015 by the Association amounted to ₱9.9 million, while outstanding balance as of December 31, 2015 amounted to ₱0.6 million.

The Association also received ₱10.0 million for the BS Scholarship Fund of CARD Bank, Inc. and CARD, Inc. Outstanding balances as of December 31, 2015 amounted to ₱2.4 million and ₱3.1 million, for CARD Bank, Inc. and CARD, Inc. respectively.

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

This account consists of:

	2015	2014
Meals of trainees	**₱30,666,933**	₱21,366,102
Room accommodation and function hall	**17,104,890**	8,898,073
Compensation and employee benefits (Notes 14 and 15)	**11,409,462**	10,662,450
Depreciation and amortization (Notes 8and 9)	**10,606,410**	7,069,561
Transportation and travel	**10,051,274**	7,648,172
Supplies and materials	**5,269,895**	5,516,090
Janitorial, messengerial and security	**2,889,046**	2,495,713
Utilities	**2,072,699**	1,698,781
Repairs and maintenance	**1,775,799**	2,129,595
Information technology	**1,062,248**	578,979
Honorarium to resource persons	**1,034,200**	963,005
Office rental (Note 13 and 15)	**706,863**	504,421
Laundry and ironing	**626,018**	429,414
Library/books	**490,164**	604,753
Representation expense	**407,806**	383,712
Communication and postage	**390,550**	268,094
Interest expense	**303,955**	–
Miscellaneous	**670,909**	452,379
	₱97,539,121	₱71,669,294

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

12. **Tertiary expenses**

As at December 31, 2015, this account consists of:

Supplies and materials	**₱300,425**
Compensation and employee benefits (Notes 14 and 15)	**221,261**
Transportation and travel	**214,565**
Advertising and publicity	**144,000**
Management and professional fees	**137,611**
Representation	**97,531**
Staff training and development and meetings	**77,284**
Repairs and maintenance	**62,080**
Depreciation (Note 8)	**50,334**
Library/books	**45,978**
Utilities	**41,897**
Information technology	**35,616**
Communication and postage	**11,621**
Miscellaneous*	**70,330**
	₱1,510,533

**Includes interest on finance lease amounting to ₱5,102*

13. **Lease Contracts - Lessee**

Operating Lease Agreement

As at December 31, 2015 and 2014, the Association has three outstanding lease contracts for the lease of two commercial buildings from CARD, Inc., both of which have lease terms of three years until November 16, 2016, and one commercial building from CARD Bank Inc., with lease term of five 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 are as follow:

	2015	2014
Not later than one year	**₱706,863**	₱504,421
Later than one year and not later than five years	**647,958**	1,354,821
	₱1,354,821	₱1,859,242

Lease payments recognized under ‘Office rental’ amounted to ₱0.7 million and ₱0.5 million in 2015 and 2014, respectively.

Finance Lease Agreement

In 2015, the Association entered into five lease agreements with Responsible Investments for Solidarity and Empowerment (RISE) Financing Company, Inc. covering equipment and furniture and fixtures for a period of three years with acquisition cost amounting to ₱5.1 million. The lease agreements provide implicit interest rates ranging from 15.35% to 22.28% annually.

Future aggregate minimum lease payments are as follows:

	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 ₱0.3 million in 2015.

14. **Retirement Benefits**

The Association, CARD SME Bank, Inc. (CSMEB), CARD Mutual Benefit Association (MBA), Inc., CARD Bank, Inc., CARD MRI Insurance Agency (CAMIA), Inc., CARD Business Development Service Foundation (BDSF), Inc., CARD MRI Information Technology, Inc. (CMIT), BotiCARD, Inc., and CARD, Inc. maintain a funded and formal noncontributory defined benefit retirement plan, the CARD MRI Multi-Employer Retirement Plan (MERP), covering all of their regular employees. The MERP has a projected unit cost format and is financed solely by the Association and its related parties. MERP complies with the requirement of Republic Act No. 7641 (The Philippine Retirement Law). The MERP provides lump sum benefits equivalent to 120.0% 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 early retirement after completion of at least one year of service with the participating companies.

The latest actuarial valuation report covers reporting period as of December 31, 2015.

The cost of defined benefit 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 the following:

	2015	2014
Discount rates	**5.04%**	4.46%
Future salary increases	**10.00%**	7.00%

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

	2015	2014
Present value of defined benefit obligation	**₱18,910,080**	₱10,506,701
Fair value of plan assets	**(19,159,417)**	(16,715,666)
Effect of asset ceiling	**14,944**	891,360
Retirement liability (asset)	**(234,393)**	(₱5,317,605)

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

	2015	2014
Current service cost	**₱899,651**	₱1,685,038
Interest income on plan assets	**(792,018)**	(994,302)
Interest on the effect of asset ceiling	**39,755**	–
Interest expense on defined benefit obligation	**468,599**	1,052,147
Retirement expense	**615,987**	1,742,883
Remeasurement loss (gain) recognized during the year	**6,307,130**	(7,250,046)
	₱6,923,117	(₱5,507,163)

The movements in the net retirement asset follow:

	2015	2014
Balance at beginning of year	**₱5,317,605**	(₱1,601,488)
Contributions paid	**1,839,905**	1,411,930
Retirement income (expense)	**(6,923,117)**	5,507,163
Balance at end	**₱234,393**	₱5,317,605

The movements in the present value of pension obligation follow:

	2015	2014
Balance at beginning of year	**₱10,506,701**	₱16,491,326
Actuarial loss (gain)	**6,851,998**	(8,699,547)
Current service cost	**899,651**	1,685,038
Interest cost	**468,599**	1,052,147
Benefits paid	–	(78,938)
Transfers to the plan	**183,131**	56,675
Balance at end	**₱18,910,080**	₱10,506,701

The movements in the fair value of plan assets follow:

	2015	2014
Balance at beginning of year	**₱16,715,666**	₱14,889,838
Contributions paid by employer	**1,839,905**	1,411,930
Interest income	**792,018**	994,302
Transfers to the plan	**183,131**	56,675
Benefits paid	–	(78,938)
Return on plan assets (excluding amount included in net interest)	**(371,303)**	(558,141)
Fair value of plan assets at end	**19,159,417**	16,715,666
Effect of asset ceiling	**(14,944)**	(891,360)
Balance at end	**₱19,144,473**	₱15,824,306

The Association plans to contribute ₱1.9 million to the defined benefit retirement plan in 2016.

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

	2015	2014
Debt instruments - Government bonds	**₱8,757,770**	₱7,667,476
Cash and cash equivalents	**7,799,799**	6,572,600
Loans	**2,023,234**	1,852,096
Investment in equity securities	**149,443**	157,127
Other assets	**429,171**	466,367
	₱19,159,417	₱16,715,666

The plan assets have diverse investments and do not have any concentration 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.

As of 2015 and 2014, the average duration of the defined benefit obligation are 23.5 and 33.7 years, respectively.

15. 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

CARD MRI's Multi-Employer Retirement Plan (MERP) is managed by the CARD Employee Multipurpose Cooperative (EMPC). Part of the plan assets are invested in time deposits and special savings accounts with the affiliated banks amounting to ₱7.2 million. (Note 14)

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:

	2015	2014
Post-employment benefits	**₱747,036**	₱439,334
Short-term employee benefits	**1,422,226**	968,490
	₱2,169,262	₱1,407,824

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, 2015 and 2014 are as follows:

		December 31, 2015	
Category	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Other related parties			
Cash in bank and short-term investments		**₱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	–	**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 CARD Bank, Inc. 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
Grants and Donations	**805,773**		Fund 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' (Note 10)
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 14)

		December 31, 2014	
Category	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Other related parties			
Cash in bank		₱46,960,405	Checking, savings and time deposit accounts with annual interest rate ranging from 1.5% to 4.5%
Deposits	₱93,162,708		
Withdrawals	(78,134,276)		
Equity investment at cost	–	4,373,900	Investments in CMIT with 4.08% ownership.
Accounts receivable		6,138,097	For training fees, seminars and meetings and share of expenses
Billings	106,757,596		
Collections	(108,160,956)		
Accounts payable		421,570	Share of expenses and office rental
Billings	2,969,557		
Payments	(2,651,930)		
(Forward)			

Category	Amount/ Volume	December 31, 2014 Outstanding Balance	Nature, Terms and Conditions
Funds held in trust		₱6,500	Funds received by the Association in behalf of CARD, Inc. for ZeDrES program
Receipts	₱1,020,000		
Disbursements	4,544,764		
Seminars and trainings	104,316,241		Income derived from providing seminars and trainings to CARD MRI group and the related affiliates
Facilities fee	470,987		Income derived from the use of facilities to CARD MRI group and external parties for various events
Dividend income	787,302		Income derived from the Association's investment in equity shares
Rent expense	504,423		The Organization leases premises occupied by its branches. Rent expense is recorded under 'Office rental' (Note 10)
Retirement Plan Contributions	1,411,930	1,411,930	Pertains to the funded and formal noncontributory defined benefit retirement plan of the Bank that is handled by CARD MERP (see Note 14)

16. Notes to Statements of Cash Flows

Noncash activities of the Association consist of the following:

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

17. Approval for the Release of Financial Statements

The accompanying financial statements of the Association were authorized for issue by the BOT on March 19, 2016.

18. Supplementary Information under RR 15-2010

The Association reported and/or paid the following types of taxes in 2015:

Taxes and Licenses

Taxes and licenses in 2015 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	₱337,256
Transfer taxes	25,996
Business permits and licenses	75,030
Community tax certificate	8,030
Annual registration	1,500
Other taxes	1,730
	₱449,542

Withholding Taxes
The following withholding taxes are categorized into:

	Paid during the year	Accrued at year-end
Withholding tax on compensation	₱666,421	₱31,503
Expanded withholding tax	1,455,190	162,974
	₱2,121,611	₱194,477

Tax Contingencies
The Association has no pending tax cases or assessments as of December 31, 2015.

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