CARD MRI's

journey to 5-8-40...

CARD-MRI Development Institute, Inc.
ANNUAL REPORT
2017

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ABOUT THE COVER

Since its humble beginnings, CARD MRI has always been eager in utilizing human ingenuity in its mission to uplift the lives of Filipino women and to eradicate poverty in the country. Our purposive journey together with technology can be traced back to our use of an old and battered typewriter and ever since then we have continued to integrate more and more innovations in our work and services.

CARD MRI's continuous shift to and integration of technology is reflected by our two covers, which aim to symbolize and portray CARD MRI's progress from the use of traditional or analog methods towards technologically-enabled solutions, and our constant improvement of our techniques and procedures.

At CMDI, we are passionate in transforming ourselves to adapt to the overwhelming technological changes that are affecting our daily lives and the world around us. It may be a challenging year ahead but we will make sure that all these innovations we are taking are always inclusive and grounded to the needs of our member-clients. No one will be left behind in this journey, this we assure.

VISION

CMDI

CARD-MRI Development Institute 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 socioeconomically challenged families.

SCHOOL

Competent graduates taking active roles in creating positive social change in the Philippines and in the world.

MISSION

CMDI

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

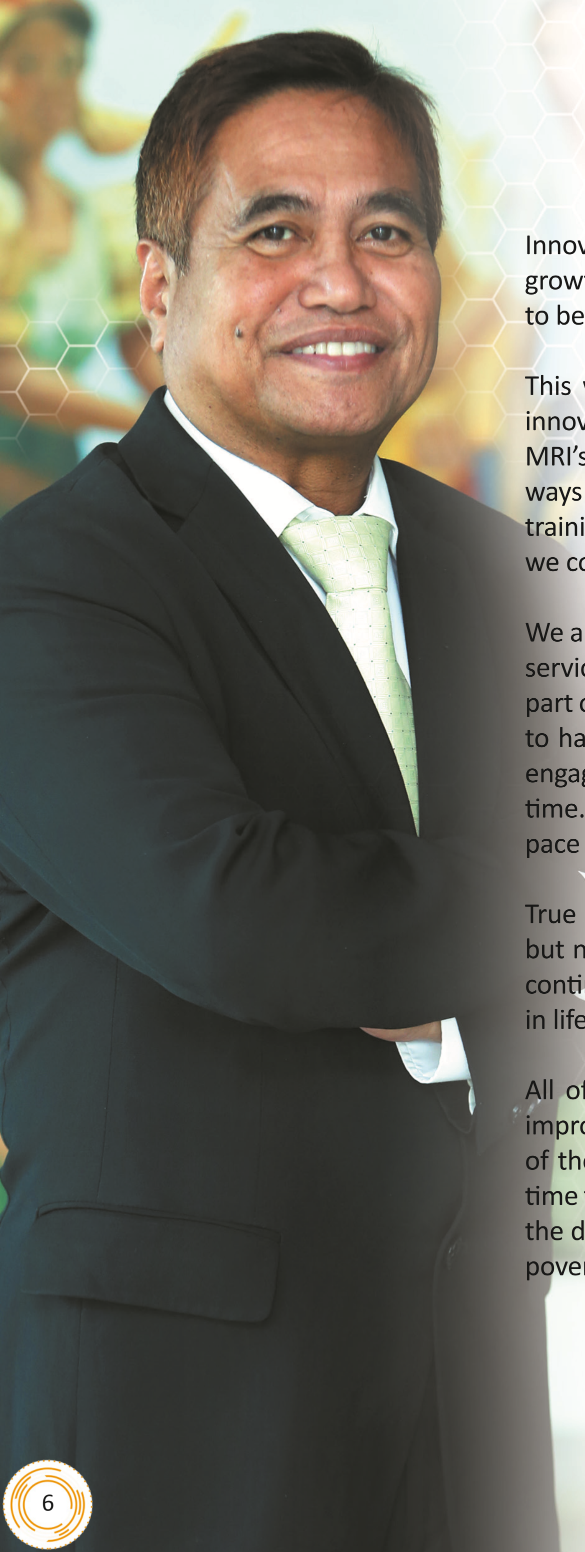
•Share best practices in integrated microfinance and non-financial development services with practitioners from around the world.

SCHOOL

The School of Microfinance and Development aims to empower the students with the right knowledge, values, and skills useful in development work using microfinance, microinsurance, and other development tools or interventions.

GOALS OF THE COLLEGE:

1. Provide the students with qualified teaching personnel, practitioner industry-based curriculum, superior facilities, and conducive learning environment.
2. Teach the most updated knowledge and techniques in development work, microfinance, microinsurance, etc. through an ever dependable and competent faculty members.
3. Direct resources and efforts to make the students discover and develop their full potentials making them productive citizens of the world.



LEARNING THE DIGITAL CURVE

Innovation. It is what CMDI's 2017 is all about. It is CMDI's continuous goal to provide growth and advancement opportunities to better equip our staff, students, and clients to become truly empowered.

This was the year when CMDI explored a different way of stretching its capacity to innovate and catch up with the latest trends of training and capacity building. With CARD MRI's latest investment on cutting-edge technologies, CMDI has now provided new ways of arming staff and students with necessary tools to progress in their schooling and training. The technologies include e-learning, e-books, and e-library cataloging, which we continuously improve to meet current and emerging demands.

We are proud to tell you that these new enhancements helped us to deliver even better services to our staff and students. These enabled us to reach more people to become part of our learning community. Now, we are able to conduct trainings without the need to have a physical setup. Instead, we create e-learning modules that are creative and engaging, which our staff, students, and clients can easily access at their most convenient time. They were also provided with the opportunity to learn these new skills at their own pace making their education environment more personal and conducive for learning.

True to our catchphrase that CMDI is an organization where empowerment begins but never ends, we will continue to develop our capacities as an institution so we can continue to offer you services that will prepare you to be successful and more resilient in life.

All of these are possible because you believed that CMDI indeed can contribute to improve peoples' lives through training and education. We are in deep gratitude to all of the hardworking staff, volunteers, and board of directors who spent their valuable time thinking of ways on how we can enhance our services. CMDI is sincerely thankful of the devoted commitment you show to us and to our mission of seeing a world without poverty. It warms our heart to know that we are not alone in this journey.

Dr. Jaime Aristotle B. Alip
Chairperson

INVESTING IN PEOPLE, DEVELOPING GREAT ASSETS

FLORDELIZA L. SARMIENTO
President

When CARD-MRI Development Institute, Inc. (CMDI) started, its primary aim is to provide support to CARD MRI's staff for different capacity building venues to ensure outstanding service of CARD MRI to its clients. CMDI was built to be an institution dedicated to the staff and clients' capacity improvement for them to be armed with necessary skills, knowledge, and attitude needed for excellent performance of duties and responsibilities.

Borrowing the words of Dr. Jaime Aristotle B. Alip, *"A workforce with developed capacities is the greatest asset an organization can have."* With this, we, at CMDI, continues to sharpen our knowledge on how we will be able to give the best support to our valuable staff, clients, and students. We strongly believe that the development and growth of people accord them the chance to experience meaningful involvement in the work that we do. CMDI recognizes that as we enhance the capacities of our staff, it will then translate to exceptional service for our clients and students. The facilitation of such opportunities for the staff will also enhance their loyalty to the organization. Further, the mastery of the matter of what they do and fully understanding the reason of why they do things encourage commitment, dedication, and passion.

SUSTAINED EVOLUTION

Technology has been a big help for us in terms of efficiency as we can see who has enrolled to the program, who passed and met the requirements, we can also easily generate reports so we can analyze where we can fill in the gap and further improve.

The use of e-learning facility is maximized by the clients, staff, our senior high school and college students, as well as graduate school program students of Development Academy of the Philippines (DAP) and Southeast Asia Interdisciplinary Development Institute (SAIDI). Through this interface, the usual training preparation is significantly lessened. The logistics for the training, gathering of attendance sheets and preparing of lesson plans, are all diminished as the e-learning can provide and generate a report of the attendance, score, and the progress of the students. Also, the lessons can continuously be customized based on periodic feedback of students' performance.

E-books are also introduced. Research work and projects of students were made more interactive, more efficient, and most importantly, with the most updated information. CMDI Library now has four e-book readers from Kindle and Kobo containing a total of 180 reading materials. This number continues to grow.

The change that technology has brought to CMDI is a truly significant development of the organization's way of providing incomparable capacity building to its staff, clients, and students.

BOLDER PERFORMANCE

This 2017, we celebrate the highlights of our performance. We have conducted 1,272 batches with 34,897 participants for our clients, staff, and other microfinancing institutions (MFIs). In addition, we started the Summits for the Sons and Daughters of CARD MRI members and provided trainings on Power Presentation for selected CARD MRI Management Committee members.

We also have created the Center for Leadership (CFL) to offer high level trainings. Here, we are offering programs customized for first and second level generations of leaders.

This year, CMDI continues to be a credible TESDA assessment center for Microfinance Technology NCII. We have now started to develop Microinsurance Technology with TESDA, SBFIC, RIMANSI, and other industry representatives.

As of December 2017, CMDI has a total of 351 graduates and 469 continuing students in the different degree programs of CMDI and partnership with different schools. There are also 14 who graduated in MA in Organizational Development in SAIDI and 40 graduates in Master in Productivity and Quality Management (MPQM) major in Microfinance in DAP-CMDI.

CMDI started offering BS Accountancy and BS Information System in June 2017 with 31 and 27 initial students, respectively. We also submitted an application for BS Accounting Technology as new program offering for June 2018.

This year, Credit with Education (CwE) modules were successfully rolled out to 80,928 centers of CARD MRI nationwide with 2,388,833 members as participants. Aside from the existing CwE modules, there has also been additional modules developed in forms of infographics and compressed modules about Debt Management and products and services of CARD MRI, among others.

We continue to make sure that our staff and clients have competitive learning resource; thus, we have developed a total of 40 CwE modules, computerized cataloging of library for students and staff's easy access of books, thesis, manuals, and other materials. These materials are now being copyrighted by batch.

For convenience, we have consolidated our marketing materials, brochures, guides for the library, info bites, and e-learning to CMDI's official website: www.cmdi.

edu.ph. This is also where we have launched the new Microinsurance e-Learning for 247 CARD MBA Coordinators and 194 Microinsurance Coordinators (MIC) with a total of 441 enrolled as of December 2017.

These accomplishments were achieved because each staff is responsible and accountable to each tasks. It is CMDI's pride that our staff has high standards as we all try to pursue excellence in everything that we do. In CMDI, we believe that our task is significant as we are to build leaders who will continue to embody the vision and mission of CMDI in the next generations to come.

ENDURING REFINEMENT

We also encountered challenges as we perform our work. These challenges include the expansion of branches of CARD MRI financial institutions, transition of staff, and recruitment of additional staff, among many others. It was quite challenging for us to keep abreast of these developments. Our goal of providing exceptional service to create competent and dedicated people, who will in turn empower and uplift disadvantaged people, is our driving force to bravely take on these challenges.

For 2018, we are ready to conquer more challenges and thrilled to invest more in people. It is our aim to expand and make the service accessible to even more people here in the Philippines. It is also our desire to find opportunities for our students to highlight their skills and conduct activities where they can show their talents and learn from other students as well. Most especially, for CMDI to be able to reflect continuously the same compassion and care to the communities.

Our hope is that we inspire you to join us in this cause of empowering people—for surely, people will remain always as the greatest asset of any organization. We also look forward to another successful year of empowering staff, students, and clients so they can better lead their organizations, peers, and communities.

ACCOMPLISHMENTS

SENIOR HS STUDENTS
522

COLLEGE STUDENTS
321

MASTERS STUDENTS
54

DEGREE PROGRAM SCHOLARS
172

STAFF TRAINED
NO. OF BATCHES
802
NO. OF PARTICIPANTS
24,631

CLIENTS TRAINED
NO. OF BATCHES
456
NO. OF PARTICIPANTS
10,138

OTHER MFI TRAINED
NO. OF BATCHES
14
NO. OF PARTICIPANTS
128

E-LEARNING COMPLETERS
906

CREDIT WITH EDUCATION OUTREACH
2,388,833

STAFF
63

MAIN CAMPUS
1

TRAINING FACILITIES
4

In this age of technology, our journey to 5-8-40 has been challenged to its core. There were adjustments made but what remained is our commitment to eradicate poverty in the country. This year, we conducted Microfinance Technology National Certificate II assessment, initiated capacity-building programs with our partners, conducted the second CMDI Entrepreneurship Students' Bazaar, and participated in various intra-school and interschool activities. All these are our ways of empowering individuals towards a better Philippines.

THE BOARD OF TRUSTEES

THE MANAGEMENT COMMITTEE

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Vice President for Learning and Development

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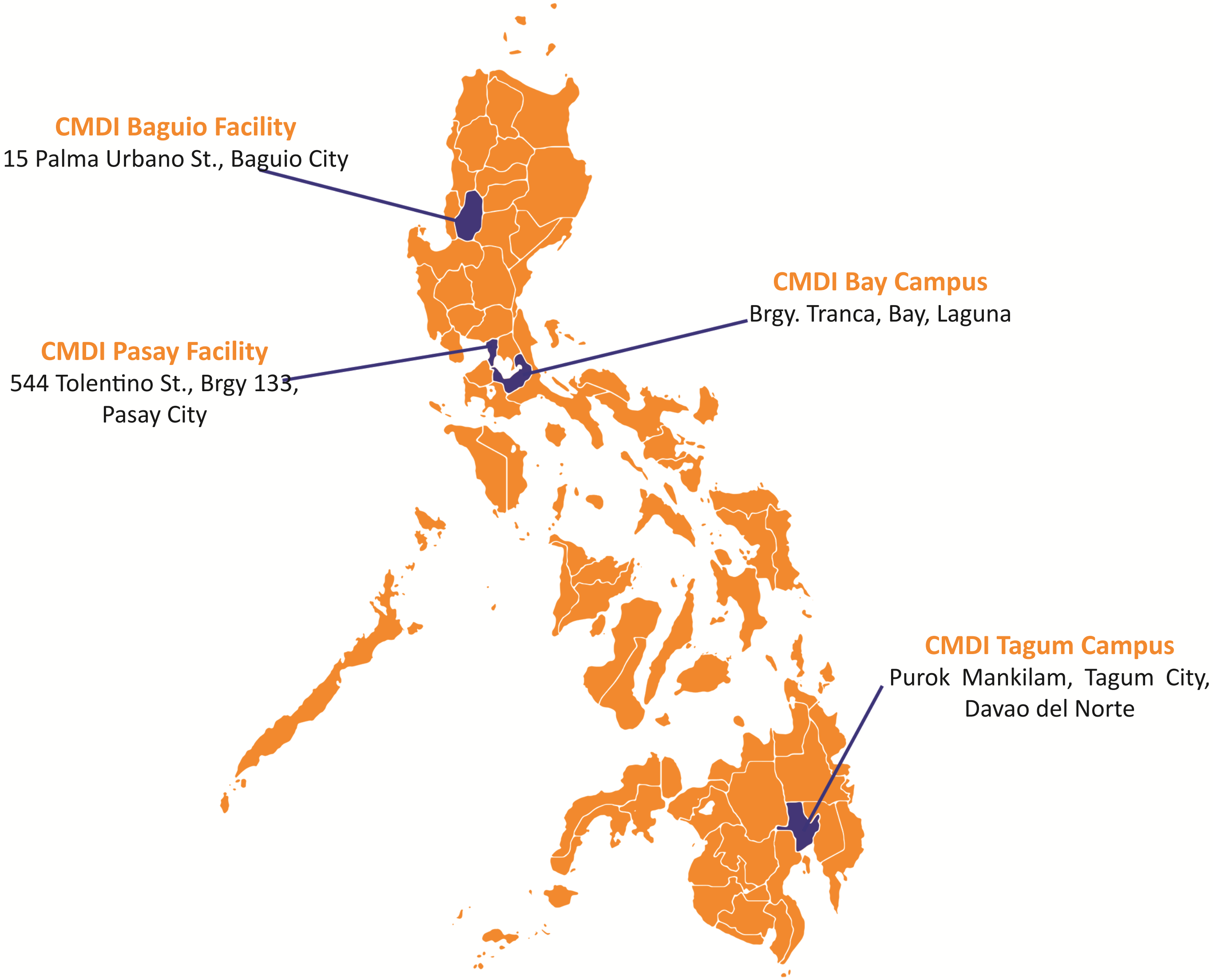
Ms. Joselita V. Lanao
Learning Resource Manager

OUR CAMPUS AND TRAINING FACILITIES



INSTITUTIONAL PARTNERS

BANKERS INSTITUTE OF THE PHILIPPINES (BAIPHIL)

BDO FOUNDATION

COMMISSION ON HIGHER EDUCATION (CHED)

DEPARTMENT OF EDUCATION (DEPED)

DEVELOPMENT ACADEMY OF THE PHILIPPINES (DAP)

PICPA - PHILIPPINE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

SAVINGS BANK FOUNDATION FOR INTERNATIONAL COOPERATION (SBFIC)

SOUTHEAST ASIA INTERDISCIPLINARY DEVELOPMENT INSTITUTE (SAIDI)

TECHNICAL EDUCATION AND SKILLS DEVELOPMENT AUTHORITY (TESDA), LOS BAÑOS, LAGUNA

UNIVERSITY OF THE PHILIPPINES LOS BAÑOS - COLLEGE OF PUBLIC AFFAIRS (CPAf)

INSTITUTIONAL PROFESSIONAL MEMBERSHIP

PHILIPPINE SOCIETY OF INFORMATION TECHNOLOGY EDUCATORS (PSIE)

PHILIPPINE E-LEARNING SOCIETY (PELS)

PHILIPPINE SOCIETY FOR TRAINING AND DEVELOPMENT (PSTD)

AUDITED FINANCIAL STATEMENTS

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

STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE

	December 31	
	2017	2016
ASSETS		
Current Assets		
Cash in banks (Notes 4 and 18)	**₱116,682,215**	₱53,199,025
Short-term investments (Notes 5 and 18)	**91,911,913**	59,275,897
Receivables (Notes 6 and 18)	**9,881,552**	3,538,740
Other current assets (Note 7)	**2,650,646**	1,067,763
Total Current Assets	**221,126,326**	117,081,425
Noncurrent Assets		
Long-term investment (Notes 8 and 18)	**30,000,000**	–
Equity investments (Note 9)	**4,591,079**	4,373,900
Property and equipment (Note 10)	**99,410,165**	92,661,991
Retirement asset (Note 17)	**10,280,397**	8,001,384
Software costs (Note 11)	**511,699**	672,255
Other noncurrent assets (Note 16)	**1,974,682**	825,663
Total Noncurrent Assets	**146,768,022**	106,535,193
	₱367,894,348	₱223,616,618
LIABILITIES AND FUND BALANCE		
Current Liabilities		
Accounts payable and accrued expenses (Note 12)	**₱14,313,915**	₱8,420,769
Lease liability (Note 16)	**1,908,598**	2,474,740
	16,222,513	10,895,509
Noncurrent Liabilities		
Accounts payable and accrued expenses (Note 12)	**75,084,384**	5,661,487
Lease liability (Note 16)	**419,551**	1,805,047
	75,503,935	7,466,534
	91,726,448	18,362,043
Fund Balance		
General fund	**5,000,000**	5,000,000
Restricted fund	**13,727,724**	–
Accumulated excess of revenue over expenses	**257,440,176**	200,254,575
TOTAL FUND BALANCE	**276,167,900**	205,254,575
	₱367,894,348	₱223,616,618

See accompanying Notes to Financial Statements.

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

STATEMENTS OF REVENUE AND EXPENSES AND CHANGES IN FUND BALANCE

	Years Ended December 31	
	2017	2016
REVENUE		
Seminars and trainings (Note 18)	**₱222,778,414**	₱173,265,451
Tuition fees and other school fees	**19,778,761**	9,485,973
Donations and contributions (Note 18)	**5,000,000**	100,000
Interest income (Notes 4, 5 and 18)	**2,738,639**	1,990,419
Remeasurement gain on retirement plan (Note 17)	**2,257,514**	6,632,683
Dividend income (Note 9)	**1,093,475**	262,434
Facilities fee (Note 18)	**743,907**	866,175
Others	**756,054**	615,469
	255,146,764	193,218,604
EXPENSES		
Cost of seminars, trainings and other programs (Note 13)	**134,712,068**	109,858,623
Senior high school expenses (Note 15)	**11,208,076**	2,190,141
Tertiary expenses (Note 14)	**8,695,482**	5,255,502
Administrative:		
Staff training and development	**8,510,597**	2,215,370
Program monitoring and meetings	**6,341,151**	4,567,691
Compensation and employee benefits (Notes 17 and 18)	**4,337,181**	3,494,093
Transportation and travel	**3,581,852**	3,019,242
Management and professional fees	**1,734,645**	1,782,447
Depreciation expense (Note 10)	**928,693**	692,790
Supplies and materials	**587,812**	463,112
Janitorial, messengerial, and security	**582,100**	365,002
Information technology	**465,599**	452,101
Taxes and licenses	**460,124**	766,360
Repairs and maintenance	**386,425**	118,179
Utilities	**376,328**	440,405
Insurance	**375,532**	545,341
Communication and postage	**285,317**	188,585
Representation	**150,496**	284,631
Provision for doubtful accounts (Note 6)	**30,610**	181,706
Miscellaneous	**483,351**	235,740
	29,617,813	19,812,794
	184,233,439	137,117,060
EXCESS OF REVENUE OVER EXPENSES	**70,913,325**	56,101,544
FUND BALANCE AT BEGINNING OF YEAR	**205,254,575**	149,153,031
FUND BALANCE AT END OF YEAR	**₱276,167,900**	₱205,254,575

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	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses	**₱70,913,325**	₱56,101,544
Adjustments for:		
Depreciation and amortization expense (Notes 10 and 11)	**17,103,499**	13,700,804
Remeasurement gain on retirement plan (Note 17)	**(2,257,514)**	(6,632,683)
Interest income (Notes 4 and 5)	**(2,738,639)**	(1,990,419)
Dividend income (Note 18)	**(1,093,475)**	(262,434)
Retirement expense (Note 17)	**609,717**	1,596,816
Interest expense	**523,102**	1,375,601
Unrealized foreign exchange gain	**(357,446)**	(356,744)
Provision for doubtful accounts (Note 6)	**30,610**	181,706
Loss on disposal of transportation equipment	**23,589**	–
Share in net income of associates (Note 9)	**(17,179)**	–
Operating income before working capital changes	**82,739,589**	63,714,191
Changes in operating assets and liabilities:		
Decrease (increase) in the amounts of:		
Receivables	**(5,929,176)**	(44,700)
Other current assets	**(1,786,505)**	513,119
Increase (decrease) in the amounts of accounts payable and accrued expenses	**75,316,043**	(6,771,249)
Net cash generated from operations	**150,339,951**	57,411,361
Interest received	**2,294,395**	2,025,981
Dividends received	**1,093,475**	262,434
Contributions to retirement fund (Note 17)	**(631,216)**	(2,731,124)
Interest paid	**(523,102)**	–
Net cash provided by operating activities	**152,573,503**	56,968,652
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for:		
Purchase on short-term investments	**(32,636,016)**	(9,751,860)
Placement on long-term investment	**(30,000,000)**	–
Acquisitions of property and equipment (Notes 10 and 19)	**(23,617,486)**	(32,449,843)
Security deposits	**(1,149,019)**	(825,663)
Acquisitions of investments in associates (Note 9)	**(200,000)**	–
Acquisitions of software license (Note 11)	**(43,600)**	(564,940)
Proceeds from:		
Disposal of transportation equipment	**150,000**	–
Maturity of short-term investments	**–**	2,166,443
Net cash used in investing activities	**(87,496,121)**	(41,425,863)
CASH FLOWS FROM FINANCING ACTIVITY		
Payments of finance lease	**(1,951,638)**	(3,074,436)
NET INCREASE IN CASH IN BANKS	**63,125,744**	12,468,353
EFFECTS OF EXCHANGE RATE CHANGES ON CASH IN BANKS	**357,446**	356,744
CASH IN BANKS AT BEGINNING OF YEAR	**53,199,025**	40,373,928
CASH IN BANKS AT END OF YEAR	**₱116,682,215**	₱53,199,025

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 (CHED) on May 28, 2015. It started to operate as a tertiary education institute offering Bachelor of Science in Entrepreneurship with specialization in Microfinance on 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 August 4, 2017 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).

PFRS for SMEs has been approved for adoption by the Philippine Financial Reporting Standards Council on October 13, 2009 and by the Securities and Exchange Commission (SEC) on December 3, 2009. PFRS for SMEs is required to be used by entities that meet the definition of an SME, which include among others, an entity with total assets of between ₱3.0 million and ₱350.0 million and/or total liabilities between ₱3.0 million and ₱250.0 million. SEC issued SRC Rule 68 which authorized the entities that breaches the floor ceiling of the size criteria at the end of the current year to continue to use the same financial reporting framework it currently uses provided that the change is not considered to be significant. As a general rule, 20% or more of the total assets or total liabilities would be considered significant.

As at December 31, 2017, the Association breached the asset limit with an excess in total assets amounting to ₱17.9 million representing 4.9% of the total assets of the Association. As the change is not significant, the Association assessed to continue the use of PFRS for SMEs.

Change in Accounting Policies and Disclosures

2015 Amendments to the PFRS for SMEs

In August 2016, the SEC resolved to adopt the 2015 Amendments to the PFRS for SMEs as part of its rules and regulations on financial reporting.

Most of the amendments clarify existing requirements and add supporting guidance to the existing standard rather than change the underlying requirements. Among the most significant amendments to the standard are:

- Permitting SMEs to use the revaluation model to measure items of property, plant and equipment
- Aligning the recognition and measurement requirements for deferred income tax with full PFRSs
- Allowing SMEs to use the equity method to account for investments in subsidiaries, associates and jointly controlled entities in the separate financial statements

The amendments are effective for annual periods beginning on or after January 1, 2017. Earlier application is permitted.

The adoption of the 2015 Amendments to the PFRS for SMEs did not have a significant impact on the Company's financial statements.

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.

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

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

The Association has no financial instruments at FVPL as at December 31, 2017.

Financial assets that are debt instruments measured at amortized cost and financial liabilities measured at amortized cost
These are debt instruments, such as receivables or payables, which satisfy all of the following conditions:

(a) Return to the holder is a fixed amount; a fixed rate of return over the life of the instrument; a variable return that, throughout the life of the instrument, is equal to a single referenced quoted or observable interest rate; or some combination of such fixed rate and variable rates, provided that both the fixed and variable rates are positive.
(b) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
(c) Contractual provisions that permit the issuer (the debtor) to prepay a debt instrument or permit the holder (the creditor) to put it back to the issuer before maturity are not contingent on future events.
(d) There are no conditional returns or repayment provisions except for the variable rate of return described in (a) and prepayment provisions described in (c).

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

Classified under financial assets that are debt instruments measured at amortized cost are the Association's 'Due from students', 'Due from trainees and participants', and 'Due from related parties' included 'Receivables' account in the statement of financial position.

Classified under financial liabilities measured at amortized cost are the Company's 'Accrued expenses' and 'Accounts payable' accounts in the statement of financial position.

Equity instruments at cost

These are non-derivative financial assets which are designated as such or do not qualify to be classified as investment in associates. These are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions.

Financial assets at cost assets comprised of unquoted equity investments where the Association's ownership interest is less than 20.0%. These are initially recognized at cost, being the fair value of the investment at the time of acquisition or purchase and including acquisition charges associated with the investment. Such investments are carried at cost due to the unpredictable nature of future cash flows and the lack of other suitable methods for arriving at a reliable fair value.

Dividends earned on holding equity instruments at cost, if any, are recognized in the statement of revenue and expenses as 'Dividend income' when the right of the payment has been established. The losses arising from impairment of such investments are recognized in the statement of revenue and expenses.

Derecognition of Financial Assets and Liabilities

Financial assets

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

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

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

Financial liabilities

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

Impairment of Financial Assets

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

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

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

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

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

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

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

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

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

Depreciation 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 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 revenue 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.

Restricted funds

The Association's BOT has restricted twenty percent of its general fund as follows: two (2.0%) for scholarships, three (3.0%) for information technology development and fifteen (15.0%) for fixed asset acquisition for future expansion.

Accumulated excess of revenue over expenses

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

Revenue Recognition

Revenue 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 revenue 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 revenue and expenses and changes in fund balance when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

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

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

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 revenue 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 revenue 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 revenue and expenses and changes in fund balance, net of any reimbursement.

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

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

Events after the Reporting Period

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

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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, revenue, expenses and disclosure of contingent assets and contingent liabilities, if any. Future events may occur which will cause the judgments used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

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 revenue 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 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, 2017 and 2016, the carrying values of retirement asset of the Association are disclosed in Note 17.

4. Cash in Banks

This account consists of:

	2017	2016
Demand deposits	**₱40,578,151**	₱27,477,175
Savings deposits	**30,154,456**	17,005,164
Time deposits	**45,949,608**	8,716,686
	₱116,682,215	₱53,199,025

Cash in banks represent current and savings accounts which earn interest at an annual rate ranging from 1.0% to 3.75% and in 2017 and 2016.

Time deposits have original maturities of less than three (3) months with an annual interest rates ranging from 3.0% to 4.3% and 1.0% to 4.3% in 2017 and 2016, respectively.

Interest income earned on the Association's cash in banks amounted to ₱0.5 million and ₱0.9 million in 2017 and 2016, respectively.

5. Short-term Investments

Short-term investments represent time deposits which have maturity of more than three (3) months to one (1) year and with annual interest rates ranging from 3.0% to 5.0% and 1.0% to 4.3% in 2017 and 2016, respectively.

Interest earned on short-term investments amounted to ₱2.3 million and ₱1.1 million in 2017 and 2016, respectively.

6. Receivables

This account consists of:

	2017	2016
Receivables from students	**₱7,746,867**	₱2,569,828
Receivables from trainees and participants	**1,130,857**	1,051,423
Receivables from related parties (Note 18)	**1,015,899**	331,989
Interest receivable	**704,724**	260,480
Receivable from contractor	**–**	11,205
	10,598,347	4,224,925
Less allowance for doubtful accounts	**716,795**	686,185
	₱9,881,552	₱3,538,740

Changes in the allowance for doubtful accounts follow:

	2017	2016
Balance at beginning of year	**₱686,185**	₱504,479
Provision for doubtful accounts	**30,610**	181,706
Balance at end of year	**₱716,795**	₱686,185

Receivables are assessed collectively for impairment purposes.

7. Other Current Assets

This account consists of:

	2017	2016
Prepaid subscription	**₱2,186,900**	₱–
Supplies inventory (Note 10)	**281,677**	448,054
Prepaid expenses	**182,069**	619,709
	₱2,650,646	₱1,067,763

Prepaid subscription includes the prepayment for the subscription on the increase of capital stock of CARD MRI Information Technology (CMIT) (see Note 9). Prepaid expenses include prepayments for insurance and other expenses.

8. Long-term Investment

Long-term investment represent time deposit amounting to ₱30.0 million placed under Rizal Bank, Inc. (RBI) which have maturity of five (5) years with annual interest rate of 5.0% in 2017 (see Note 18).

9. **Equity investments**

Equity investment at cost
This represents the Association's 4.0% ownership for interest in CARD MRI Information Technology (CMIT) amounting to P4.4 million as of December 31, 2017 and 2016. This investment is unimpaired. As of December 31, 2017 and 2016, the Association received dividends from CMIT amounting to ₱1.1 million and ₱0.3 million, respectively.

Investments in Associates
The composition and movements in this account in 2017 follows:

	Percentage of ownership	
Acquisition cost		
CARD MRI Publishing House Inc. (CMPHI)	**20%**	**₱100,000**
CARD MRI Hijos Tours Inc. (CMHTI)	**20%**	**100,000**
		200,000
Accumulated equity in net income:		
Balance beginning of year		–
Share in net income		**17,179**
Balance at end of year		**17,179**
		₱217,179

The following table illustrates the summarized financial information in the statements of financial position, statements of comprehensive income of CMPHI and CMHTI (amounts in millions):

	CMPHI	CMHTI
Assets	₱859,136	₱784,362
Liabilities	306,930	250,597
Net Assets	552,206	533,765
Revenue	659,870	700,050
Net Income	52,171	33,730

10. **Property and Equipment**

The compositions of and movements in this account follow:

2017

	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	₱16,065,119	₱6,723,103	₱79,389,634	₱18,171,195	₱4,131,477	₱1,949,016	₱19,741,329	₱146,170,873
Additions	1,607,200	747,496	2,031,408	3,768,084	–	–	15,463,298	23,617,486
Disposal	–	–	–	–	(2,763,979)	–	–	(2,763,979)
Reclassifications (Note 7)	–	1,737,606	19,010,658	203,620	–	–	(20,748,264)	203,620
Balance at end of year	17,672,319	9,208,205	100,431,700	22,142,899	1,367,498	1,949,016	14,456,363	167,228,000
Accumulated Depreciation								
Balance at beginning of year	–	2,995,923	35,141,602	10,255,185	3,833,891	1,282,281	–	53,508,882
Depreciation	–	2,309,335	9,935,040	4,320,733	123,897	210,338	–	16,899,343
Disposal	–	–	–	–	(2,590,390)	–	–	(2,590,390)
Balance at end of year	–	5,305,258	45,076,642	14,575,918	1,367,398	1,492,619	–	67,817,835
Net Book Value	₱17,672,319	₱3,902,947	₱ 55,355,058	₱7,566,981	₱100	₱456,397	₱14,456,363	₱99,410,165

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 11)	–	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 11)	–	–	–	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

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

	2017	2016
Cost of seminars, trainings and other programs (Note 13)	**₱11,661,052**	₱10,950,739
Tertiary (Note 14)	**3,346,358**	1,921,960
Senior high school (Note 15)	**963,240**	46,662
Administrative	**928,693**	692,790
	₱16,899,343	₱13,612,151

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

As at December 31, 2017 and 2016, the total cost of fully depreciated assets still in use amounted to ₱17.2 million and ₱19.1 million, respectively.

Reclassifications include transfers from supplies inventory under 'Other current assets' to 'office furniture, fixture, equipment and library books'.

11. Software Costs

The movements in this account follow:

	2017	2016
Cost		
Balance at beginning of year	**₱839,119**	₱287,377
Additions	**43,600**	564,940
Reclassifications	–	(13,198)
Balance at end of year	**882,719**	839,119
Accumulated Amortization		
Balance at beginning of year	**166,864**	82,170
Amortization	**204,156**	88,653
Reclassifications	–	(3,959)
Balance at end of year	**371,020**	166,864
Net Book Value	**₱511,699**	₱672,255

The breakdown of amortization expense on software costs follows:

	2017	2016
Cost of seminars, trainings and other programs	**₱112,988**	₱51,206
Tertiary (Note 14)	**81,968**	28,247
Administrative	**9,200**	9,200
	₱204,156	₱88,653

12. **Accounts Payable and Accrued Expenses**

This account consists of:

	2017	2016
Current		
Accrued expenses	**₱5,918,788**	₱5,420,163
Accounts payable (Note 18)	**3,405,845**	928,869
Unearned tuition fee	**4,407,765**	2,071,737
Withholding tax payable	**581,517**	–
	14,313,915	8,420,769
Non-Current		
Funds held in trust (Note 18)	**74,462,530**	5,460,966
Unearned tuition fee	**621,854**	200,521
	75,084,384	5,661,487
	₱89,398,299	₱14,082,256

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 ₱5.8 million and ₱1.3 million in 2017 and 2016; most of which were distributed to the borrowers.

The Association also received ₱67.3 million and ₱5.0 million for the BS Scholarship Fund of CARD Bank, Inc. (CBI) and CARD, Inc. in 2017 and 2016, respectively.

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

This account consists of:

	2017	2016
Meals of trainees	**₱49,122,588**	₱37,409,669
Room accommodation and function hall	**28,348,482**	22,194,098
Compensation and employee benefits (Notes 17 and 18)	**15,759,311**	12,660,696
Depreciation (Note 10)	**11,661,052**	10,950,739
Transportation and travel	**6,118,924**	6,658,243
Supplies and materials	**7,557,986**	5,841,936
Janitorial, messengerial and security	**3,834,708**	3,114,678
Utilities	**2,921,131**	2,425,173
Information technology	**1,910,047**	761,994
Honorarium to resource persons	**1,322,782**	1,262,612
Repairs and maintenance	**1,275,651**	1,479,709
Office rental (Note 16)	**1,187,309**	733,192
Laundry and ironing	**775,385**	743,878

(Forward)

	2017	2016
Representation	**₱550,790**	₱779,631
Interest expense	**523,100**	1,375,601
Communication and postage	**419,513**	363,697
Library books	**23,471**	163,670
Miscellaneous	**1,399,838**	939,407
	₱134,712,068	₱109,858,623

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

14. **Tertiary Expenses**

This account consists of:

	2017	2016
Depreciation (Note 10)	**₱3,346,358**	₱ 1,921,960
Compensation and employee benefits (Notes 17 and 18)	**1,539,922**	757,411
Management and professional fees	**740,628**	897,027
Transportation and travel	**719,339**	289,788
Janitorial, messengerial, security	**514,453**	262,118
Supplies and materials	**362,790**	366,363
Utilities	**343,521**	232,086
Repairs and maintenance	**148,846**	123,764
Information technology	**137,198**	30,263
Advertising and publicity	**123,570**	44,420
Representation	**82,757**	94,140
Amortization (Note 11)	**81,968**	28,247
Staff training and development and meetings	**35,187**	11,048
Communication and postage	**5,709**	7,692
Library books	**2,500**	–
Miscellaneous	**510,736**	189,175
	₱8,695,482	₱5,255,502

15. **Senior High School Expenses**

This account consists of:

	2017	2016
Compensation and employee benefits (Notes 17 and 18)	**₱4,032,557**	₱1,026,721
Staff training and development and meetings	**1,433,169**	26,620
Transportation and travel	**1,228,506**	155,988
Supplies and materials	**858,948**	392,261
Depreciation (Note 10)	**963,240**	46,662
Janitorial, messengerial, security	**602,648**	123,894

(Forward)

	2017	2016
Information technology	**₱448,500**	₱
Utilities	**399,532**	53,965
Repairs and maintenance	**308,951**	42,931
Management and professional fees	**307,726**	195,811
Advertising and publicity	**198,900**	62,811
Representation	**158,580**	17,317
Communication and postage	**55,220**	8,014
Library books (Note 9)	**13,100**	4,343
Miscellaneous	**198,499**	32,803
	₱11,208,076	₱2,190,141

16. **Lease Contracts**

Operating Lease Agreement

The Association has two (2) 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 CBI, 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:

	2017	2016
Not later than one year	**₱646,503**	₱855,478
Later than one year and not later than five years	**339,996**	1,912,929
	₱986,499	₱2,768,407

Lease payments recognized under 'Office rental' amounted to ₱1.2 million and ₱0.7 million in 2017 and 2016, respectively (see Note 15).

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 in 2016. The lease agreements provide implicit interest rates ranging from 1.4% to 1.8% annually.

Future aggregate minimum lease payments are as follows:

	2017		
	Not later than one year	**Later than one year and less than five years**	**Total**
Principal payments	**₱1,713,624**	**₱130,892**	**₱1,844,516**
Finance charge	**194,974**	**8,930**	**203,904**
Minimum lease payments	**₱1,908,598**	**₱139,822**	**₱2,048,420**

	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

Interest expense recognized on the finance leases amounted to ₱0.5 million and ₱1.4 million in 2017 and 2016, respectively.

Security deposits required by the lease agreements amounting to ₱2.0 million and ₱0.8 million as at December 31, 2017 and 2016, respectively, are included in the "Other noncurrent assets".

17. 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., CMIT, CARD Employees Multi-Purpose Cooperative (EMPC), 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 and Hybrid Plan comply with the requirements of Republic Act No. 7641 (Retirement Pay Law).

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

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

The Association has 5 employees which are part of Hybrid Plan as at December 31, 2017.

The date of the latest actuarial valuation report for MERP and Hybrid Plan is December 31, 2017 and nil, respectively.

The amounts recognized in the statement of assets, liabilities and fund b/alance follow:

	2017	2016
Present value of defined benefit obligation	**(₱14,564,970)**	(₱12,655,246)
Fair value of plan assets	**28,534,622**	22,732,787
Effect of asset ceiling	**(3,689,255)**	(2,076,157)
Retirement asset	**₱10,280,397**	₱8,001,384

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

	2017	2016
Current service cost	**₱1,211,390**	₱1,687,265
Interest income on plan assets	**(1,464,933)**	(1,044,270)
Interest on the effect of asset ceiling	**121,663**	753
Interest expense on defined benefit obligation	**741,597**	953,068
Retirement expense	**609,717**	1,596,816
Remeasurement gain recognized during the year	**(2,257,514)**	(6,632,683)
	(₱1,647,797)	(₱5,035,867)

The movements in the net retirement asset follow:

	2017	2016
Balance at beginning of year	**₱8,001,384**	₱234,393
Contributions paid	**631,216**	2,731,124
Retirement income	**1,647,797**	5,035,867
Balance at end of year	**₱10,280,397**	₱8,001,384

The movements in the present value of pension obligation follow:

	2017	2016
Balance at beginning of year	**₱12,655,246**	₱18,910,080
Actuarial gain	**(3,944,175)**	(9,284,500)
Current service cost	**1,211,390**	1,687,265
Interest cost	**741,597**	953,068
Benefits paid	**(20,390)**	(202,640)
Transfers to the plan	**3,921,302**	591,973
Balance at end of year	**₱14,564,970**	₱12,655,246

The movements in the fair value of plan assets follow:

	2017	2016
Balance at beginning of year	**₱22,732,787**	₱19,159,417
PVO transfer	**3,921,302**	591,973
Benefits paid	**(20,390)**	(202,640)
Contributions paid by employer	**631,216**	2,731,124
Interest income	**1,464,933**	1,044,270
Return on plan assets	**(195,226)**	(591,357)
Balance at end of year	**₱28,534,622**	₱22,732,787

Remeasurement gain or loss on retirement plan follows:

	2017	2016
Actuarial gain	**(₱3,944,175)**	(₱9,284,500)
Remeasurement gain on plan assets	**1,491,435**	2,060,460
Effect of asset ceiling	**195,226**	591,357
	(₱2,257,514)	(₱6,632,683)

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

	2017	2016
Cash and cash equivalents	**₱11,759,118**	₱9,443,200
Debt instruments – Government bonds	**14,487,028**	10,675,317
Loan receivables	**1,255,523**	1,716,325
Other assets	**1,032,953**	897,945
	₱28,534,622	₱22,732,787

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:

	2017	2016
Discount rates		
January 1	**5.86%**	5.04%
December 31	**5.77%**	5.86%
Future salary increases	**5.00%**	7.00%

The Association plans to contribute ₱2.7 million to the defined benefit retirement plan in 2018. As at December 31, 2017, the average duration of defined benefit obligations is 13.0 years.

18. 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 revenue and expenses and changes in fund balance are as follows:

	2017	2016
Short-term employee benefits	**₱2,422,861**	₱1,723,013
Post-employment benefits	**1,315,271**	805,465
	₱3,738,132	₱2,528,478

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, 2017 and 2016 are as follows:

		December 31, 2017	
Category	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Other related parties			
Cash in bank and short-term investments		**₱172,978,011**	Checking, savings and time deposit accounts with annual interest rate ranging from 1.0% to 4.3%
Deposits	**₱506,707,646**		
Withdrawals	**(411,733,177)**		
Interest income	**2,720,226**		From savings and time deposit
Long-term investment		**30,000,000**	Time deposit account in RBI with annual interest rate of 5.0%
Interest income	**8,333**		
Equity investments		**4,591,079**	Investments in CMIT with 4.08% ownership and investments in CMPHI and CMHTI with 20.0% ownership each.
Acquisition of shares	**200,000**		Investments in CMPHI and CMHTI with 20.0% ownership each.
Accounts receivable		**1,015,899**	For training fees, seminars and meetings and share of

December 31, 2017

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Billings	**₱265,723,341**		expenses
Collections	**(265,039,431)**		
Accounts payable		**₱91,519**	Share of expenses
Billings	**11,554,237**		
Payments	**(11,493,466)**		
Funds held in trust		**69,103,044**	Funds received by the Association in behalf of CARD, Inc. and CBI for the ZeDres and BS Scholarship programs and funds received for the BS Scholarship of CBI and CARD, Inc.
Receipts	**73,100,092**		
Disbursements	**(8,925,616)**		
Lease liability		**2,328,149**	Lease of equipment and furniture and fixture from RISE
Seminars and trainings	**222,798,414**		Income derived from providing seminars and trainings to CARD MRI group and the related affiliates
Facilities fee	**743,907**		Income derived from the use of facilities to CARD MRI group and external parties for various events
Dividend income	**1,093,475**		Income derived from the Association's investment in equity shares
Donations and contributions	**5,000,000**		Funds received by the Association for the expenses of BS Scholarship
Rent expense	**1,187,309**		The Association leases premises occupied by its branches. Rent expense is recorded under 'Office rental' (see Note 16)
Contributions	**631,216**		Pertains to the funded and formal noncontributory defined benefit retirement plan of the Bank that is handled by CARD MERP (see Note 17)

December 31, 2016

Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Other related parties			
Cash in bank		₱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	–	4,373,900	Investments in CMIT with 4.08% ownership.
Accounts receivable		331,989	For training fees, seminars and meetings and share of expenses
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. and CBI for the ZeDres and BS Scholarship programs and funds received for the BS Scholarship of CBI and CARD, Inc.
Receipts	6,315,600		
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 16)
Contributions	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 17)

19. **Notes to Statements of Cash Flows**

Noncash activities of the Association consist of the following:

	2017	2016
Noncash investing activities:		
Acquisition of property and equipment through finance lease	**₱–**	₱1,146,933
Noncash operating activities:		
Remeasurement gain on retirement plan	**2,257,514**	6,632,683
Reclassification of other asset to property and equipment	**203,622**	–

20. **Approval of the Release of the Financial Statements**

The accompanying financial statements of the Association were authorized for issue by the BOT on April 14, 2018.

21. **Supplementary Information under RR 15-2010**

The Association reported and/or paid the following types of taxes in 2017:

Taxes and Licenses
Taxes and licenses in 2017 recorded as 'Taxes and licenses' presented under 'Administrative expenses' in the statements of revenue and expenses and changes in fund balance consist of:

Real property tax	₱345,861
Business permits and licenses	92,105
Community tax certificate	7,154
Annual registration	1,500
Others	13,504
	₱460,124

Withholding Taxes

The following withholding taxes are categorized into:

	Paid	Payable
Withholding tax on compensation	₱2,485,726	₱256,402
Expanded withholding tax	1,275,024	325,115
	₱3,760,750	₱581,517

Tax Contingencies
The Association has no pending tax cases or assessments as at December 31, 2017.

CARD MRI

CARD Mutually Reinforcing Institutions

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