CARD MRI

Transformation with a Mission: Achieving 5-8-40 and Beyond

CARD-MRI Development Institute, Inc.

2018 ANNUAL REPORT

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ABOUT THE COVER

As we continue to build CARD MRI up as a dynamic group of development-oriented institutions fit for the digital landscape, we must always recognize the very reason for us in undertaking this grand endeavor - our clients and members.

They are our inspiration, and their upliftment in life is our mission. We, as servants of social development, must always remind ourselves that our transformation has purpose.

Our cover aims to illustrate CARD MRI's dedication towards our digital transformation while still maintaining the essential human connection we have with our clients and stakeholder partners. The motif of the wheel symbolizes that CARD MRI is purposely designed to move forward with the aid of technology, while the inset photographs showcase not only our institutions' achievements but also meaningful moments with our clients and communities.

This is transformation with a mission.




CARD MRI is in the business of poverty eradication.

VISION

CMDI

CARD-MRI Development Institute (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 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:

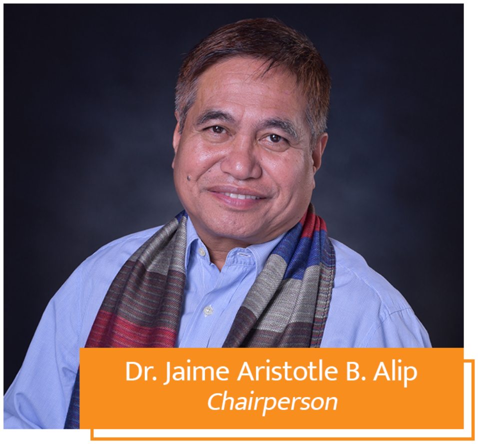
- Equip CARD MRI staff with competencies, values and spirit to excel in achieving the mission of CARD MRI;
- Empower CARD MRI members to further improve the quality of life in their communities by facilitating learning on entrepreneurship and development; and
- Share best practices in integrated microfinance 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:

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.



Dr. Jaime Aristotle B. Alip
Chairperson

Expanding to Broader Horizons

Education and sustainable development are inextricably linked. According to the United Nations Sustainable Development Goals (UN SDG), quality education and lifelong learning drive sustainable development.

Access to inclusive education allows people to improve their quality of life and equips them with the right tools to innovate and respond to the world's problems.

Since 2000, when CARD-MRI Development Institute (CMDI) started as a training center, it has been working with the rest of CARD MRI to address poverty – in all its forms and dimensions, through education and capacity-building.

We dreamed of turning CMDI into a full-fledged university, that will reach many communities. In a span of a few years, combined with heaps of preparations, and series of transformations, the institution made history when it produced its first batch of college and senior high school graduates.

We are inspired to reach out to more students and introduce new programs to the community. It was a challenge at the beginning but we made good strides this year as we reached more than 1,300 students. Our team promises to go to great lengths in bringing programs that reflect our end goal of eradicating poverty in the country.

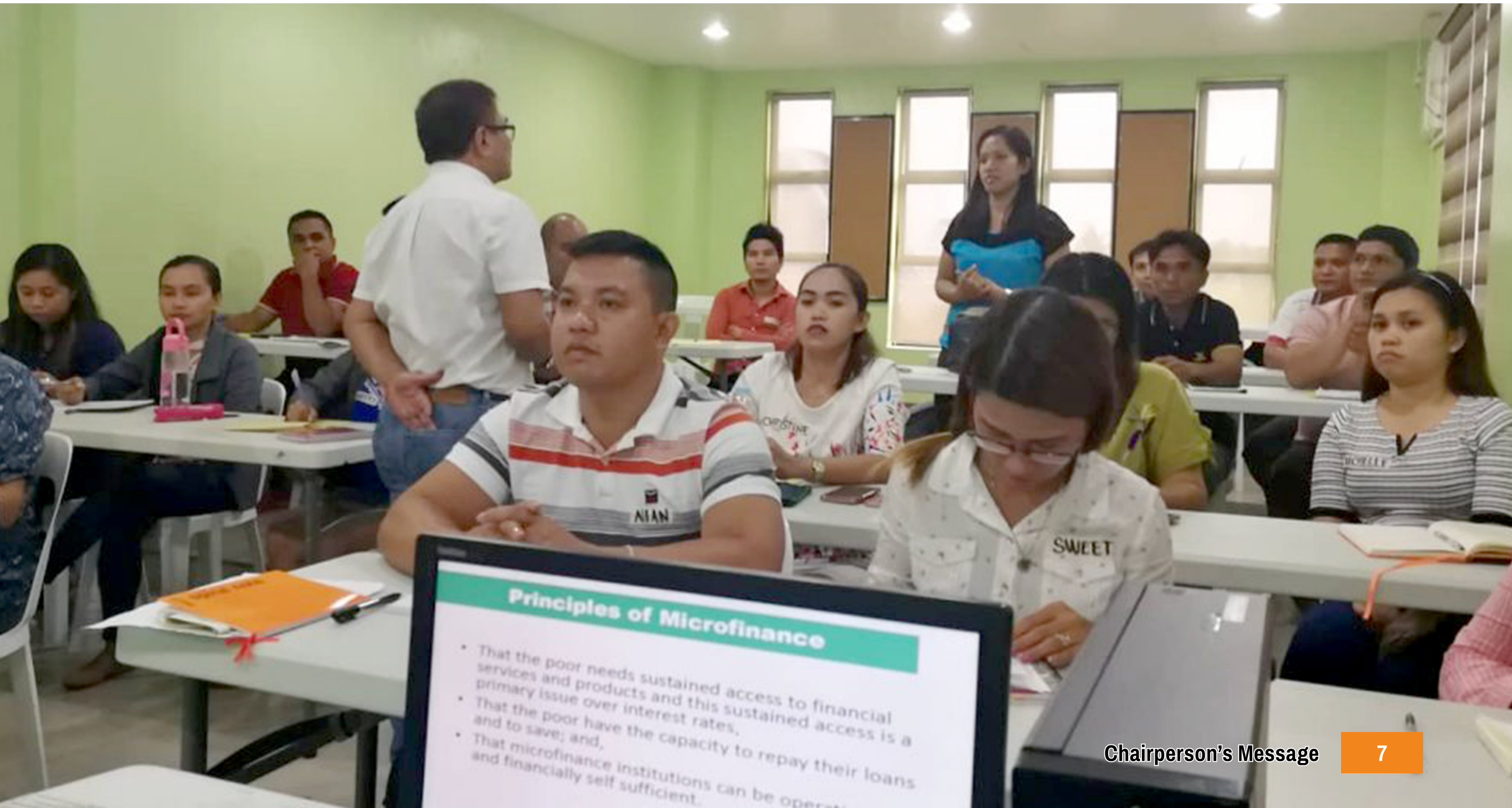
We are also united in the value of learning. This is why we continue to introduce capacity-building activities among our staff, including our leaders through the Center for Leadership. We hope that through this initiative, we will be able to equip the future leaders of CARD MRI with relevant and world-class management skills.

These accomplishments manifest our desire to have a stronger team that is more than ready to serve the Filipino people.

For 2019, we will continue to broaden our horizons by offering new programs, engaging communities and partners, improving our facilities, and equipping our faculty members with the trends in education. We will strive to reach those who are at the bottom of the pyramid, and they will remain our anchor as we tread another year.

We want to share this story of grit to our current and future students. We hope that CMDI and CARD MRI's feat will inspire our students to chase their dreams, not only for themselves but for their families and communities. CMDI remains committed to its vision of honing students and its own people in becoming vibrant citizens who contribute to nation-building.

Dr. Jaime Aristotle B. Alip



Flordeliza L. Sarmiento
President

Leaving No One Behind through Education

What does it take to make our dreams, ambitions, and desires come to fruition?

Fundamentally, we know that better education leads to a better job, which can then lead to a better life. CARD-MRI Development Institute (CMDI) believes that education is a basic human right. However, we are still confronted with the reality that there remains to be so many roadblocks preventing people from getting access to quality education.

CMDI is at the forefront of using education as a driver in combating inequality and ensuring that no one is left behind.

Making history

As we push for the "One Family, One Graduate" program, 2018 became an important year for CMDI to promote who we are and what we do. Through our continuous efforts to introduce our goals to various communities, we were able to reach out to our target enrollees for both Bay and Tagum campuses.

Our targets were two-pronged – the families of CARD clients and the general public. We used a personal approach to reach them – going from one house to another, meeting family members, and inviting them to see the campus. We wanted to engage them and explain our programs to them.

Along with this, we knew that we had to increase our visibility, and our students served as the best ambassadors of the institution. In 2018, we encouraged our students to join community activities, sports festivals, and other contests. Aside from increasing our profile and network, these activities also boosted the confidence of our students and helped in building their characters.

This year, we held a momentous event – our first graduation for college and senior high school students in our Bay and Tagum campuses. A total of 139 SHS and 18 College students marched and received their diplomas – a historic moment for CMDI!

The institution's training department welcomed several feats as well. This year marked the training implementation under the Center for Leadership. Courses, such as the 19-day Basic Strategic Management Program at the Ateneo de Manila University and Values and Culture Training/Workshop, were offered for the continuous learning of executive and management committee members.

To broaden our distance learning program, we introduced online education modules for CARD MRI clients and managers. This year, more than 500 participants finished seven courses offered under the program, such as Microfinance Technology, Microinsurance Technology, and Microinsurance for MBA Coordinators.

Lessons learned

Breaking barriers to education is not an easy task. Leaving no one behind means truly understanding the varying needs of every students and this may mean responding to their needs in creative and non-traditional ways.

We see many determined students with struggles that hinders them from going to school. Whether it is the lack of support system or the difficulty of meeting basic needs – we, at CMDI, learned that we need more than a good curriculum to keep the students from falling out of school and into the traps of poverty. Through our Working Student and Student Assistant programs, we provide our students not only valuable work experience but also financial assistance. We also continuously help our faculty members to check their students and see how we can support them. Our team is here to create safe spaces for our students to learn and also help them decide for themselves.

Ending the cycle of poverty through education

CMDI aims to be a university in the future. While we still have a long way to go, we are beginning to work on our objective by ensuring that our system are compliant. We are also doing continuous research to see how we can improve our offerings, systems, and processes.

We understand that students are now more tech-savvy, so our classrooms are IT-ready and school work can be done through online collaborations. We also use blended learning in some of our subjects.

For 2019, we want to reach more students and add new programs in CMDI. We are also in the preparatory phase to launch two programs in our Tagum campus – Accountancy and another in Tourism. We also want to strengthen our BS Entrepreneurship course so that our students can tread this path and become future employers.

Moreover, our team will work on improving our curriculum, specially our Senior High School's Technical-Vocational-Livelihood (TVL) Track by offering Home Economics. We will engage in more community and inter-school activities, and we are also gearing for the development of our infrastructure to make way for better facilities for our students and faculty.

CMDI also invests in its staff. Our partnership with the Development Academy of the Philippines (DAP), University of the Philippines Los Baños (UPLB), and Southeast Asia Interdisiplinary Development Institute (SAIDI) has provided 38 and five graduate students, respectively, the opportunity to take their master's degrees at the universities. This 2018, we sent our staff to a series of local and international development programs. In turn, they brought back rich experiences and best practices in education/capacity-building program. This will be the same in 2019. We will continue to invest in our team so that we can bring quality education and training to those who need it most.

Moreover, our Publication and Academic Research team completed 12 internal studies and published different publications, which include theses compilation, monographs, occasional papers, MF journal, and focus notes.

It has always been CMDI's goal to end the cycle of poverty through education. More than creating degrees, we want to help our students to rise above poverty and help build more resilient and empowered communities.

Accomplishments

737
Senior HS Students

714
College Students

378
Masters Students

1,353
Degree Program Scholars

No. of Batches: 702
No. of Participants: 20,382
Staff Trained

No. of Batches: 435
No. of Participants: 9,593
Clients Trained

No. of Batches: 19
No. of Participants: 185
Other MFI Trained

548
E-Learning Completer

980,202
Credit With Education Outreach

175
Staff

2
Campuses

4
Training Facilities

We are CMDI

Board of Trustees

Management Committee

Ms. Flordeliza L. Sarmiento
President

Dr. Edzel A. Ramos
Executive Vice-President

Ms. Deverna dT. Briones
Vice President for Administration
and Academic Affairs

Ms. Marilyn M. Manila
Director for Academic and Curriculum Standards

ADMINISTRATION AND ACADEMIC AFFAIRS

College Deans

Dr. Jaime Aristotle B. Alip
Department of Business and Management
(Tagum Campus)

Dr. Dolores M. Torres
Department of Business and Management
(Bay Campus)

Ms. Lorenza dT. Bañez
Department of Accountancy
(Bay Campus)

Dr. Reagan B. Ricafort
Department of Information and
Communication Technology
(Bay Campus)

Ms. Mary Jane A. Perreras
Associate Dean
Department of Business and Management
(Bay Campus)

Academic Officials

Ms. Daisy Jane D. Caballero
Associate Dean OIC
(Tagum Campus)

Mr. Neil M. Polinag
School Registrar
(Bay Campus)

Ms. Rose Marie D. Catapang
Senior High School Principal

Administration and Finance

Ms. Maridel A. Manalo
Deputy Director for Finance

Ms. Lourdes A. Medina
Deputy Director for Publications and Academic Research

Ms. Glenda M. Lagarile
Deputy Director for Degree and Education Partnership

Ms. Marisol M. Mendelivar
Deputy Director for BS Entrepreneurship Program

Mr. Constancio B. Larosa Jr.
Deputy Director for Compliance OIC

LEARNING AND DEVELOPMENT and LEARNING RESOURCE AND DIGITAL EDUCATION

Mr. Neil M. Polinag
Assistant Vice-President for Center for Leadership

Dr. Carissa Monina C. Ramirez
Assistant Vice-President for Learning and Development

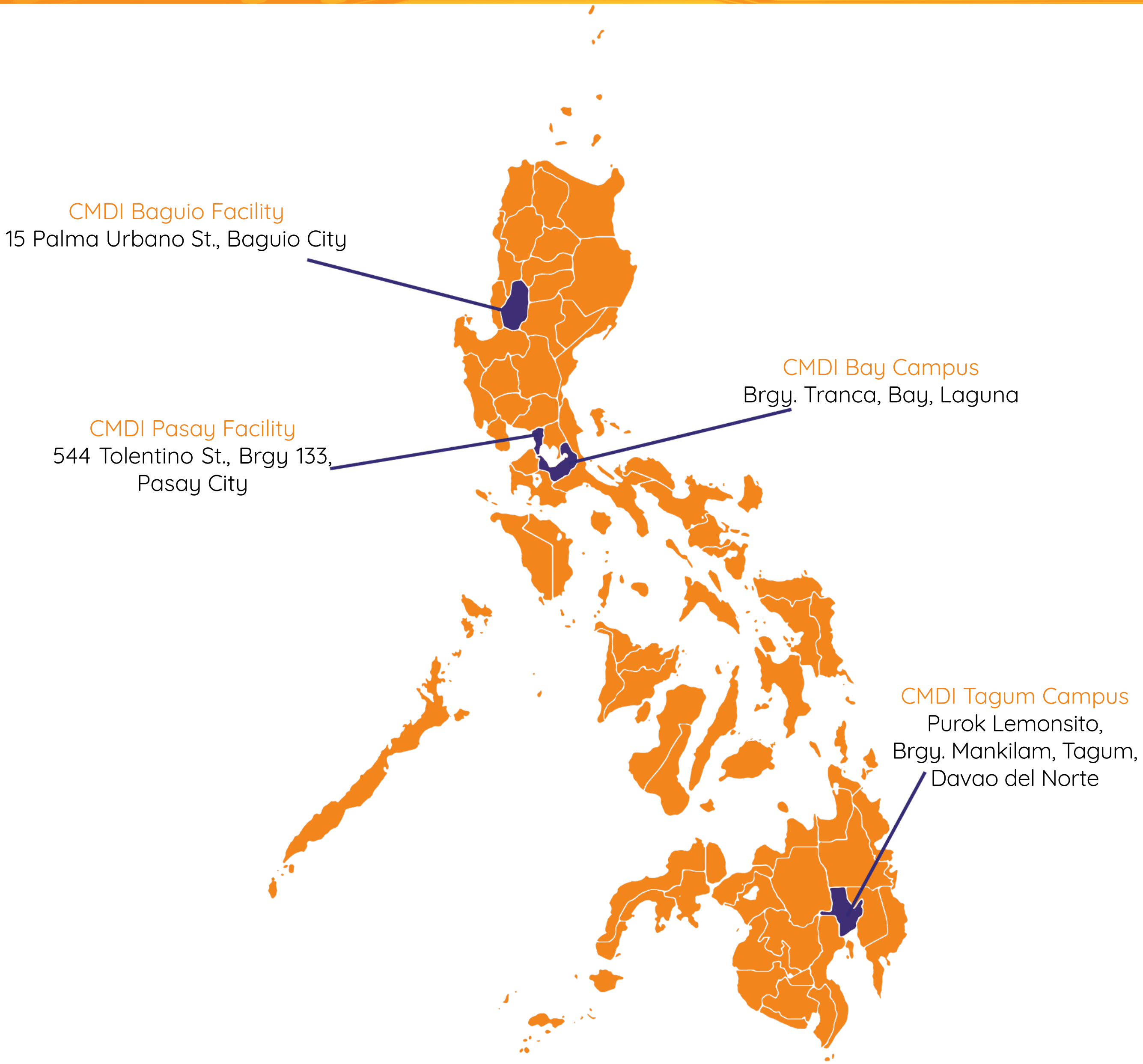
Mr. Christian Albert A. Sandoval
Asst. Vice-President for Mindanao Operations, OIC

Ms. Cecille Y. Uy-Cruza
Deputy Director for Training

Ms. Cleofe M. Figuracion
Deputy Director for Learning Resource & Digital Education

Ms. Dorothy G. Namora
Deputy Director for Training, Mindanao Cluster, OIC

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)

EAST-WEST SEED FOUNDATION, INC.

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)

COUNCIL OF DEANS & EDUCATORS OF BUSINESS IN REGION IV-A

Institutional Professional Membership

PHILIPPINE SOCIETY OF INFORMATION TECHNOLOGY EDUCATORS (PSIE)

PHILIPPINE E-LEARNING SOCIETY (PELS)

PHILIPPINE SOCIETY FOR TRAINING AND DEVELOPMENT (PSTD)

TAGUM DOCTORS HOSPITAL

Audited Financial Statements

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

STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE

	December 31		January 1
	2018	2017 (As restated- Note 2)	2017 (As restated- Note 2)
ASSETS			
Current Assets			
Cash in banks (Notes 6 and 19)	**₱65,589,364**	₱70,732,607	₱53,199,025
Investments at Amortized Cost (Notes 7 and 19)	**208,548,009**	137,861,521	59,275,897
Receivables (Notes 8 and 19)	**58,141,485**	9,357,818	3,538,740
Other current assets (Note 9 and 19)	**5,011,740**	2,650,646	1,067,763
	337,290,598	220,602,592	117,081,425
Noncurrent Assets			
Investments at Amortized Cost (Notes 7 and 19)	**30,000,000**	30,000,000	–
Financial Assets at Fair Value Through Other Comprehensive Income (Note 7 and 19)	**8,660,322**	9,097,712	9,097,712
Investments in associates (Note 10 and 19)	**475,999**	217,179	–
Property and equipment (Note 11)	**119,097,327**	99,410,165	92,661,991
Software costs (Note 12)	**3,266,785**	511,699	8,001,384
Retirement asset (Note 18)	**11,045,205**	10,280,397	672,255
Other noncurrent assets (Note 17)	**3,392,718**	1,974,682	825,663
	175,938,356	151,491,834	111,259,005
TOTAL ASSETS	**₱513,228,954**	₱372,094,426	₱228,340,430
LIABILITIES AND FUND BALANCE			
Current Liabilities			
Accounts payable and accrued expenses (Note 13 and 19)	**₱18,238,240**	₱14,313,915	₱8,420,769
Lease liability (Note 17 and 19)	**373,735**	1,908,598	2,474,740
	18,611,975	16,222,513	10,895,509
Noncurrent Liabilities			
Accounts payable and accrued expenses (Note 13 and 19)	**110,069,544**	75,084,384	5,661,487
Lease liability (Note 17 and 19)	**–**	419,551	1,805,047
	110,069,544	75,503,935	7,466,534
	128,681,519	91,726,448	18,362,043
Fund Balance			
General fund	**333,327,389**	252,448,729	198,044,376
Restricted fund	**36,320,754**	13,727,724	–
Remeasurement gains on retirement plan (Note 18)	**10,612,870**	9,467,713	7,210,199
Net unrealized gains on financial assets at fair value through other comprehensive income (Note 7)	**4,286,422**	4,723,812	4,723,812
	384,547,435	280,367,978	209,978,387
TOTAL LIABILITIES AND FUND BALANCE	**₱513,228,954**	₱372,094,426	₱228,340,430

See accompanying Notes to Financial Statements.

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

STATEMENTS OF REVENUE AND EXPENSE

	Years Ended December 31	
	2018	2017 (As restated- Note 2)
REVENUE		
Seminars and trainings (Note 19)	**₱245,246,515**	₱222,778,414
Donations and contributions (Note 19)	**35,000,000**	5,000,000
Tuition fees and other school fees	**36,158,178**	19,778,761
Interest income (Notes 6, 7 and 19)	**7,599,352**	2,738,639
Dividend income (Notes 7 and 19)	**2,051,053**	1,093,475
Facilities fee (Note 19)	**698,323**	743,907
Others	**554,043**	756,054
	327,307,464	252,889,250
EXPENSES		
Cost of seminars, trainings and other programs (Note 14)	**147,830,029**	134,712,068
Senior high school expenses (Note 15)	**28,784,203**	11,208,076
Tertiary expenses (Note 16)	**16,999,089**	8,695,482
Administrative:		
Program monitoring and meetings	**7,009,729**	6,341,151
Compensation and employee benefits (Notes 18 and 19)	**5,834,942**	4,337,181
Staff training and development	**5,201,455**	8,510,597
Transportation and travel	**4,028,886**	3,581,852
Management and professional fees	**2,153,241**	1,734,645
Supplies and materials	**944,778**	587,812
Janitorial, messengerial, and security	**852,625**	582,100
Information technology	**883,502**	465,599
Depreciation expense (Note 11)	**769,514**	928,693
Utilities	**580,694**	376,328
Taxes and licenses	**554,155**	460,124
Repairs and maintenance	**257,540**	386,425
Communication and postage	**251,909**	285,317
Insurance	**179,843**	375,532
Representation	**125,220**	150,496
Provision for credit losses (Note 8)	**79,588**	554,344
Miscellaneous	**514,832**	483,351
	30,222,453	30,141,547
	223,835,774	184,757,173
EXCESS OF REVENUE OVER EXPENSES	**₱103,471,690**	₱68,132,077

See accompanying Notes to Financial Statements.

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

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2018	2017 (As restated-Note 2)
EXCESS OF REVENUE OVER EXPENSES	**₱103,471,690**	₱68,132,077
OTHER COMPREHENSIVE INCOME (LOSS)		
Item that may not be reclassified to the statement of revenue and expenses:		
Remeasurement gain on retirement plan (Note 18)	**1,145,157**	2,257,514
Changes in net unrealized gain financial assets at other comprehensive income (Note 7)	**(437,390)**	–
TOTAL COMPREHENSIVE INCOME	**₱104,179,457**	₱70,389,591

See accompanying Notes to Financial Statements.

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

STATEMENTS OF CHANGES IN FUND BALANCE

	General Fund	Temporarily Restricted Fund	Remeasurement Gains on Retirement Plan (Note 18)	Net Unrealized Gains (Losses) on Financial Assets at Fair Value through Other Comprehensive Income (Note 7)	Total
Balances at January 1, 2018 as previously reported	**₱262,440,176**	**₱13,727,724**	**₱–**	**₱4,723,812**	**₱280,891,712**
Effect of initial application of full PFRS (Note 2)	**(9,991,447)**	**–**	**9,467,713**	**–**	**(523,734)**
Balances at January 1, 2018 as restated	**252,448,729**	**13,727,724**	**9,467,713**	**4,723,812**	**280,367,978**
Appropriations during the year	**(22,593,030)**	**22,593,030**	**–**	**–**	**–**
Total comprehensive income (loss) for the year	**103,471,690**	**–**	**1,145,157**	**(437,390)**	**104,179,457**
Balance at December 31, 2018	**₱343,327,389**	**₱36,320,754**	**₱10,612,870**	**₱4,286,422**	**₱384,547,435**
Balances at January 1, 2017 as previously reported	₱205,254,575	₱–	₱–	₱–	₱205,254,575
Effect of initial application of full PFRS (Note 2)	(7,210,199)	–	7,210,199	4,723,812	4,723,812
Balances at January 1, 2017, as restated	198,044,376	–	7,210,199	₱4,723,812	209,978,387
Appropriations during the year	(13,727,724)	13,727,724	–	–	–
Total comprehensive income for the year	68,132,077	–	2,257,514	–	70,389,591
Balance at December 31, 2017	₱252,448,729	₱13,727,724	₱9,467,713	₱4,723,812	₱280,367,978

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	
	2018	2017 (As restated- Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses	**₱103,471,690**	₱68,132,077
Adjustments for:		
Depreciation and amortization expense (Notes 11 and 12)	**19,135,799**	17,103,499
Interest income (Note 7)	**(7,599,352)**	(2,738,639)
Dividend income (Note 7)	**(2,051,053)**	(1,093,475)
Interest expense	**790,302**	523,102
Retirement expense (Note 18)	**483,235**	609,717
Share in net income of associates (Note 10)	**(258,820)**	(17,179)
Provision for doubtful accounts (Note 8)	**79,588**	554,344
Loss on disposal of transportation equipment	**3,600**	23,589
Unrealized foreign exchange gain	**–**	(357,446)
Operating income before working capital changes	**114,054,989**	82,739,589
Changes in operating assets and liabilities:	**–**	–
Increase in the amounts of:	**–**	–
Receivables	**(46,826,313)**	(5,929,176)
Other current assets	**(3,779,130)**	(1,786,505)
Accounts payable and accrued expenses	**38,863,669**	75,316,043
Net cash generated from operations	**102,313,215**	150,339,951
Interest received	**5,562,411**	2,294,395
Dividends received	**2,051,053**	1,093,475
Interest paid	**(790,302)**	(523,102)
Contributions to retirement fund (Note 18)	**(102,886)**	(631,216)
Net cash provided by operating activities	**109,033,491**	152,573,503
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for:		
Purchase on short-term investments	**(208,548,009)**	(78,585,624)
Acquisitions of property and equipment (Notes 11)	**(38,394,641)**	(23,617,486)
Acquisitions of software license (Note 12)	**(3,187,007)**	(43,600)
Placement on long-term investment	**–**	(30,000,000)
Acquisitions of investments in associates (Note 10)	**–**	(200,000)
Security deposits	**–**	(1,149,019)
Proceeds from:		
Maturity of short-term investments	**137,861,521**	–
Disposal of transportation equipment	**–**	150,000
Net cash used in investing activities	**(112,268,136)**	(133,445,729)
CASH FLOWS FROM FINANCING ACTIVITY		
Payments of finance lease	**(1,908,598)**	(1,951,638)
NET INCREASE IN CASH IN BANKS	**(5,143,243)**	17,176,136
EFFECTS OF EXCHANGE RATE CHANGES ON CASH IN BANKS	**–**	357,446
CASH IN BANKS AT BEGINNING OF YEAR	**70,732,607**	53,199,025
CASH IN BANKS AT END OF YEAR	**₱65,589,364**	₱70,732,607

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

1. General Information

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

The Association's permit to operate as a tertiary education was granted by the Commission on Higher Education (CHED) on May 28, 2015. It started to operate as a tertiary education institute offering Bachelor of Science in Entrepreneurship with specialization in Microfinance on 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, except for fair value through profit or loss (FVPL) and financial assets through other comprehensive income (FVOCI), which are all carried at fair value. The financial statements are presented in Philippine Peso (₱), the functional currency of the Association and all values are rounded to the nearest peso except when otherwise indicated.

Statement of Compliance
The Association's financial statements have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS).

These financial statements for the year ended December 31, 2018 are the first financial statements the Association has prepared in accordance with PFRS having exceeded the quantitative thresholds set by the Securities and Exchange Commission for financial statements prepared under Philippine Financial Reporting Standards for Small and Medium Enterprises (PFRS for SMEs). For all periods up to and including the year ended December 31, 2017, the Association prepared its financial statements in accordance with PFRS for SMEs.

Accordingly, the Association has prepared financial statements that comply with PFRS applicable as at December 31, 2018, together with the comparative period data for the year ended December 31, 2017, as described in the summary of significant accounting policies. In preparing the financial statements, the Association's opening statement of financial position was prepared as at January 1, 2017, the Association's date of transition to PFRS. This note explains the principal adjustments made by the Association in restating its PFRS for SMEs financial statements, including the statement of financial position as at January 1, 2017 and the financial statements for the year ended December 31, 2018.

	December 31, 2017		
	PFRS for SMEs	Effect of transition	Full PFRS
STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE			
Equity investments at cost	₱9,097,712	(₱9,097,712)	₱–
Financial Assets at FVOCI	–	9,097,712	9,097,712
Receivables	9,881,552	(523,734)	9,357,818
General fund	262,440,176	(9,991,447)	252,448,729
Remeasurement gains on retirement plan	–	9,467,713	9,467,713

	For the year ended December 31, 2017		
	PFRS for SMEs	**Effect of transition**	**Full PFRS**
STATEMENTS OF COMPREHENSIVE INCOME			
Statement of Revenue and expense			
Provision for doubtful accounts	₱30,610	(₱523,734)	₱554,344
Remeasurement gain on retirement plan	(2,257,514)	2,257,514	–
Excess of revenue over expenses	70,913,325	(2,781,248)	68,132,077
Items that do not recycle to profit or loss in subsequent periods:			
Remeasurement gain on retirement plan	–	2,257,514	2,257,514
Other comprehensive income	–	2,257,514	2,257,514
Total comprehensive income	₱70,913,325	(₱523,734)	₱70,389,591

	January 1, 2017		
	PFRS for SMEs	Effect of transition	Full PFRS
STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE			
Equity investments at cost	₱4,373,900	(₱4,373,900)	₱–
Financial Assets at FVOCI	–	9,097,712	9,097,712
Net unrealized gains (losses) on financial assets at FVOCI	–	4,723,812	4,723,812
General fund	5,000,000	193,044,376	198,044,376
Accumulated excess revenue over expenses	200,254,575	(200,254,575)	–
Remeasurement gain on retirement plan	–	7,210,199	7,210,199

Exemptions applied

PFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under PFRS.

The Association has applied the following exemptions:

- Property and equipment, were carried in the statement of financial position prepared in accordance with PFRS for SME on the basis of valuations performed on January 1, 2017. The Association has elected to regard those values as deemed cost at the date of the revaluation since they were broadly comparable to fair value.
- The Association has applied the transitional provision in IFRIC 4, *Determining whether an Arrangement Contains a Lease* and has assessed all arrangements based upon the conditions in place as at the date of transition.

Notes to reconciliation of Fund Balance as at January 1 and December 31, 2017 and total comprehensive income for the year ended December 31, 2017

- Remeasurement gains and losses on retirement plan

  Under the PFRS for SMEs, all changes in fair value of plan assets are recorded in statement of revenue and expenses, whereas under PFRS it is recorded in other comprehensive income.

- Financial Instruments

  The Association has applied PFRS 9 on its first-time adoption of full PFRS, with the initial application date of January 1, 2017 and adjusting the comparative information for the period beginning January 1, 2017.

  Classification and measurement

  The assessment of the Association's business model was made as of the date of initial application, January 1, 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets. The Association continues measuring at amortized cost all financial assets and liabilities previously held at amortized cost under PFRS for SMEs. Moreover, the Association made an irrevocable designation to classify its unquoted equity shares, which is not held for trading, as financial asset at FVOCI. The FVOCI for equities category results in all realized and unrealized gains and losses being recognized in OCI with no recycling to profit and loss. Only dividends will continue to be recognized in profit and loss. PFRS 9 requires FVOCI financial assets to be measured at fair value. As of transition date, the fair value of these assets is ₱9.1 and their previous PFRS carrying amount was ₱4.4 million. The ₱4.7 million difference between the instruments' fair value and PFRS for SME carrying amount has been recognized as a separate component of fund balance in the net unrealized gains on financial assets at FVOCI.

Impairment
The adoption of PFRS 9 has changed the Association's accounting for impairment losses for financial assets by replacing PFRS for SME's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Company to recognize an allowance for ECLs for all debt instruments not held at fair value through profit or loss. The adoption of PFRS 9 decreased the Association's Fund Balance as of December 31, 2017 amounting to ₱0.5 million for its recognition of ECL for its receivables.

- Statement of cash flows
  The transition from PFRS for SME to PFRS has not had a material impact on the statement of cash flows.

Significant Accounting Policies

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

An asset is current when it is:

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

All other assets are classified as noncurrent.

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

All other liabilities are classified as noncurrent.

Fair Value Measurement

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

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

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

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

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

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

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

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

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

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

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

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

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

'Day 1' difference
Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Association recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Association determines the appropriate method of recognizing the 'Day 1' difference amount.

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

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

The Association has no financial instruments at FVPL as at December 31, 2018 and 2017 and January 1, 2017.

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

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

The Association's financial assets at amortized cost are presented in the statement of assets, liabilities and fund balance as cash and cash equivalents, short term and long term investments, 'Receivables' and certain accounts under other assets

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

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

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

Derecognition of Financial Assets and Liabilities
Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:
- the rights to receive cash flows from the asset have expired;
- the Association retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or the Association has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained the risk and rewards of the asset but has transferred the control over the asset.

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

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

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

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

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

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

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

Under the equity method, investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Association's share of net assets of the associate since the acquisition date. Distributions received from an 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:

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

The EUL, residual value, and the depreciation 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 from contracts with customers is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the Association expects to be entitled in exchange for those services.

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

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

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

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 other comprehensive income in the period in which they arise. Remeasurements are not reclassified to the statement of excess of revenue over expenses in subsequent periods.

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

Provisions and Contingencies

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

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

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

Events after the Reporting Period

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

Standards Issued but Not Yet Effective

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

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
- *Annual Improvements to PFRSs* 2015-2017 Cycle
  - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*
  - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
  - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

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

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases. PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

  The Association is currently assessing the impact of these amendments.

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, *Definition of Material*

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

Deferred effectivity

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

3. Significant Accounting Estimates

The preparation of the Association's financial statements in accordance with PFRS 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 uses a provision matrix to calculate ECLs for financial assets. The provision matrix is initially based on the Association's historical observed default rates.

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

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

The carrying amount of receivables as of December 31, 2018 and 2017 are disclosed in Note 8.

(a) *Present value of retirement asset*

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

As at December 31, 2018 and 2017, the carrying values of retirement asset of the Association are disclosed in Note 18.

4. Fair Value Measurement

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

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

Long term investments – Long term investments amounting to ₱30.0 million as of December 31, 2018 and 2017, has fair value of ₱22.9 million and ₱23.8 million as of December 31, 2018 and 2017. Fair values are estimated using the discounted value of the future cash flows using the prevailing market rates for similar types of instruments. The credit spread used as significant unobservable input to compute for the fair value of long-term loans investments under Level 3 fair value hierarchy is 7.0% and 4.7% in 2018 and 2017, respectively.

Equity securities – Equity securities with cost amounting to ₱4.4 million as of December 31, 2018 and 2017, has fair value of ₱8.6 million and ₱9.1 million as of December 31, 2018 and 2017, respectively. Fair values are estimated using capital asset pricing model to compute for the fair value under Level 3 fair value hierarchy using weighted average cost of capital rate of 11.50% for 2018 and 2017

5. Financial Instruments and Financial Risk Management Objectives and Policies

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

- Credit risk
- Liquidity risk
- Market risk

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

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

Credit Risk

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

Maximum exposure to credit risk

The maximum exposure of the Association's financial instruments is equivalent to the carrying values as reflected in the statements of financial position and related notes. The Association holds no collateral and other credit enhancements against its credit risk exposure as at December 31, 2018 and 2017.

Credit Concentration

Concentration arise when a number of counterparties are engage in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. As at December 31, 2018 and 2017, the Association's cash in banks and receivables are concentrated to financial intermediaries and customers, respectively.

Credit quality per class of financial assets

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

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

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

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

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

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

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

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

	2018			2017		
			ECL Staging			
	Stage 1	**Stage 3**		Stage 1	Stage 3	
	Non-default	**Defaulted**	**Total**	Non-default	Defaulted	Total
Neither past due nor impaired						
High grade	**₱48,033,455**	**₱–**	**₱48,033,455**	₱8,952,837	₱–	₱8,952,837
Standard grade	**10,263,872**	**–**	**10,263,872**	450,769	–	450,769
Past due but not impaired	**–**	**415,452**	**415,452**	–	441,423	441,423
Past due and impaired	**–**	**748,823**	**748,823**	–	753,318	753,318
Gross carrying amount	**₱58,297,327**	**₱1,164,275**	**₱59,461,062**	₱9,403,606	₱1,194,741	₱10,598,347

As at December 31, 2018 and 2017, Association's receivables that are past due for more than 1 year are considered impaired. Following use of a simplified ECL, given receivables are short term in nature, non-defaulted accounts are computed with lifetime ECL.

Liquidity Risk

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

The table below summarize the maturity profile of the financial instruments of the Association based on undiscounted cash flows as at December 31, 2018 and 2017:

2018	**On demand**	**Within 1 Year**	**More than 1 Year**	**Total**
Cash and cash equivalents	**₱65,753,337**	**₱–**	**₱–**	**₱65,753,337**
Investments at Amortized Cost	**–**	**214,804,449**	**31,500,000**	**246,304,449**
Financial Assets at FVOCI	**–**	**–**	**8,660,322**	**8,660,322**
Receivables:				
Students	**12,306,636**	**–**	**–**	**12,306,636**
Trainees and participants	**961,717**	**342,297**	**748,823**	**2,052,837**
Related parties	**42,287,310**	**3,180**	**69,975**	**42,360,465**
	121,309,000	**215,149,926**	**40,979,120**	**377,438,046**
Accounts payable and accrued expenses:				
Accrued expenses	**8,073,365**	**–**	**–**	**8,073,365**
Accounts payable	**9,145,867**	**–**	**–**	**9,145,867**
Funds held in trust	**–**	**109,898,441**	**–**	**109,898,441**
	17,219,232	**109,898,441**	**–**	**127,117,673**
	₱104,089,768	**₱105,251,485**	**40,979,120**	**₱250,320,373**

2017	On demand	Within 1 Year	More than 1 Year	Total
Cash and cash equivalents	₱70,909,439	₱–	₱–	₱70,909,439
Investments at Amortized Cost	–	141,997,367	31,500,000	173,497,367
Financial Assets at FVOCI	–	–	9,097,712	9,097,712
Receivables:			217,179	217,179
Students	7,742,967	–	3,900	7,746,867
Trainees and participants	352,498	28,941	749,418	1,130,857
Related parties	603,417	15,443	397,039	1,015,899
	79,608,321	142,041,751	41,965,248	263,615,320
Accounts payable and accrued expenses:				
Accrued expenses	5,918,788	–	–	5,918,788
Accounts payable	2,655,878	749,967	–	3,405,845
Funds held in trust	–	74,462,530	–	5,029,619
	8,574,666	75,212,497	–	14,354,252
	₱71,033,655	₱66,829,252	₱41,568,209	₱179,828,157

Market Risk

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

Equity price risk

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

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

	Change in weighted cost of capital (in basis points)			
	2018		2017	
	10bp rise	**(10bp fall)**	10bp rise	(10bp fall)
Change in equity	**₱86,603**	**(₱86,603)**	₱90,977	(₱90,977)

6. Cash in Banks

This account consists of:

	2018	2017
Demand deposits	**₱28,030,595**	₱39,408,245
Savings deposits	**62,630,769**	31,324,362
	₱65,589,364	₱70,732,607

Cash in banks represent current and savings accounts which earn interest at an annual rate ranging from 1.0% to 1.50% in 2018 and 2017.

7. Investment Securities

Financial Assets at Amortized Cost

	December 31		January 1
	2018	2017 (As restated in Note 2)	2017 (As restated in Note 2)
Short term investments	**₱208,548,009**	₱137,861,521	₱59,275,897
Long term investments	**30,000,000**	30,000,000	–
	₱238,548,009	₱167,861,521	₱59,275,897

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 4.3% and 3.0% to 5.0% in 2018 and 2017, respectively.

Interest earned on short-term investments amounted to ₱6.1 million and ₱2.7 million in 2018 and 2017, respectively.

Long-term investments
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 2018 and 2017 (see Note 19).

Financial Investment at Fair Value through Other Comprehensive Income

This represents the Association's 4.0% ownership interest in CARD MRI Information Technology (CMIT). As at December 31, 2018 and 2017, net unrealized gains in FVOCI investment of the association amounted to ₱4.3 and ₱4.7 million, respectively.

The Association received dividends from CMIT amounting to ₱2.1and ₱1.1 million, in 2018 and 2017, respectively.

8. Receivables

This account consists of:

	December 31		January 1
	2018	2017 (As restated in Note 2)	2017 (As restated in Note 2)
Receivables from related parties (Note 9)	**₱42,360,464**	₱1,015,899	₱331,989
Receivables from students	**12,306,636**	7,746,867	2,569,828
Interest receivable	**2,741,665**	704,724	260,480
Receivables from trainees and participants	**2,052,837**	1,130,857	1,051,423
Receivable from contractor	**–**	–	11,205
	59,461,602	10,598,347	4,224,925
Less allowance for credit losses	**1,320,117**	1,240,529	686,185
	₱58,141,485	₱9,357,818	₱3,538,740

Changes in the allowance for credit losses follow:

	December 31		January 1
	2018	2017 (As restated in Note 2)	2017 (As restated in Note 2)
Balance at beginning of year	**₱1,240,529**	₱686,185	₱504,479
Provision for credit losses	**79,588**	554,344	181,706
Balance at end of year	**₱1,320,117**	₱1,240,529	₱686,185

9. Other Current Assets

This account consists of:

	2018	2017
Prepaid subscription	**₱4,237,700**	₱2,186,900
Supplies inventory	**501,115**	281,677
Prepaid expenses	**272,925**	182,069
	₱5,011,740	₱2,650,646

Prepaid subscription includes the prepayment for the subscription on the increase of capital stock of CARD MRI Information Technology (CMIT) (see Note 19). Prepaid expenses include prepayments for insurance and other expenses.

10. Investment in Associates

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

	Percentage of ownership	2018	2017
Acquisition cost			
CARD MRI Publishing House Inc. (CMPHI)	**20%**	**₱100,000**	₱100,000
CARD MRI Hijos Tours Inc. (CMHTI)	**20%**	**100,000**	100,000
		200,000	200,000

	2018	2017
Accumulated equity in net income:		
Balance beginning of year	**17,179**	–
Share in net income	**258,820**	17,179
Balance at end of year	**275,999**	17,179
	₱475,999	₱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):

	2018		2017	
	CMPHI	**CMHTI**	CMPHI	CMHTI
Assets	**₱2,911,999**	**₱1,763,508**	₱859,136	₱784,362
Liabilities	**1,105,855**	**553,809**	306,930	250,597
Net Assets	**1,806,144**	**1,209,699**	552,206	533,765
Revenue	**9,199,864**	**3,429,440**	659,870	700,050
Net Income	**1,253,938**	**75,950**	52,171	33,730

11. **Property and Equipment**

The compositions of and movements in this account follow:

	2018							
	Land	**Land Improvement**	**Training Facilities**	**Office Furniture, Fixtures, Equipment and Library Books**	**Transportation Equipment**	**Leasehold Improvement**	**Construction in Progress**	**Total**
Cost								
Balance at beginning of year	**₱17,672,319**	**₱9,208,205**	**₱100,431,700**	**₱22,142,899**	**₱1,367,498**	**₱1,949,016**	**₱14,456,363**	**₱167,228,000**
Additions	**13,420,143**	**184,453**	**1,848,864**	**4,205,452**	**–**	**–**	**18,735,729**	**38,394,641**
Disposal	**–**	**–**	**(84,000)**	**(1,176,777)**	**–**	**–**	**–**	**(1,260,777)**
Reclassifications (Note 7)	**–**	**–**	**12,694,326**	**–**	**–**	**–**	**(12,694,326)**	**–**
Balance at end of year	**31,096,962**	**9,388,158**	**114,890,890**	**25,171,574**	**1,367,498**	**1,949,016**	**20,497,766**	**204,361,864**
Accumulated Depreciation								
Balance at beginning of year	**–**	**5,432,095**	**44,949,805**	**14,575,917**	**1,367,400**	**1,492,619**	**–**	**67,817,836**
Depreciation	**–**	**1,658,897**	**12,233,787**	**4,635,829**	**–**	**175,365**	**–**	**18,703,878**
Disposal	**–**	**–**	**(83,900)**	**(1,173,277)**	**–**	**–**	**–**	**(1,257,177)**
Balance at end of year	**–**	**7,090,992**	**57,099,692**	**18,038,469**	**1,367,400**	**1,667,983**	**–**	**85,264,537**
Net Book Value	**₱31,096,961**	**₱2,297,166**	**₱57,791,194**	**₱7,133,106**	**₱100**	**₱281,033**	**₱20,497,767**	**₱119,097,327**

	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

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

	2018	2017
Cost of seminars, trainings and other programs (Note 14)	**₱9,378,330**	₱11,661,052
Senior high school (Note 15)	**5,164,766**	963,240
Tertiary (Note 16)	**3,391,268**	3,346,358
Administrative	**769,514**	928,693
	₱18,703,878	₱16,899,343

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

As at December 31, 2018 and 2017, the total cost of fully depreciated assets still in use amounted to ₱16.0 million and ₱17.2 million, respectively.

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

12. **Software Costs**

The movements in this account follow:

	2018	2017
Cost		
Balance at beginning of year	**₱882,719**	₱839,119
Additions	**3,187,007**	43,600
Balance at end of year	**4,069,726**	882,719
Accumulated Amortization		
Balance at beginning of year	**371,020**	166,864
Amortization	**431,921**	204,156
Balance at end of year	**802,941**	371,020
Net Book Value	**₱3,266,785**	₱511,699

The breakdown of amortization expense on software costs follows:

	2018	2017
Cost of seminars, trainings and other programs (Note 14)	**₱334,468**	₱112,988
Senior High School (Note 15)	**81,179**	81,968
Tertiary (Note 16)	**16,274**	9,200
	₱431,921	₱204,156

13. Accounts Payable and Accrued Expenses

This account consists of:

	2018	2017
Current		
Accounts payable (Note 18)	**₱9,145,867**	₱3,405,845
Accrued expenses	**8,073,364**	5,918,788
Unearned tuition fee	**450,751**	4,407,765
Withholding tax payable	**568,258**	581,517
	18,238,240	14,313,915
Non-Current		
Funds held in trust (Note 18)	**109,898,441**	74,462,530
Unearned tuition fee	**171,103**	621,854
	110,069,544	75,084,384
	₱128,307,784	₱89,398,299

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

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 by the Association amounted to ₱5.8 million in 2017; most of which were distributed to the borrowers.

The Association also received ₱60.8 million and ₱67.3 million for the BS Scholarship Fund of CARD Bank, Inc. (CBI) and CARD, Inc. in 2018 and 2017, respectively. Disbursement to the fund during the year amounted to ₱35.4 million.

14. Cost of Seminars, Trainings and Other Programs

This account consists of:

	2018	2017
Meals of trainees	**₱54,226,955**	₱49,122,588
Room accommodation and function hall	**29,856,974**	28,348,482
Compensation and employee benefits (Notes 18 and 19)	**19,022,134**	15,759,311
Depreciation (Note 11)	**9,378,330**	11,661,052
Transportation and travel	**7,130,540**	6,118,924
Supplies and materials	**6,283,186**	7,557,986
Janitorial, messengerial and security	**4,421,229**	3,834,708
Utilities	**3,195,191**	2,921,131
Information technology	**4,795,724**	1,910,047
Repairs and maintenance	**2,141,547**	1,275,651

(Forward)

	2018	2017
Office rental (Note 17)	**₱1,597,607**	₱1,187,309
Honorarium to resource persons	**1,310,611**	1,322,782
Laundry and ironing	**839,916**	775,385
Interest expense	**790,302**	523,100
Communication and postage	**698,729**	419,513
Amortization (Note 12)	**334,468**	112,988
Representation	**208,730**	₱550,790
Library books	**49,641**	23,471
Miscellaneous	**1,548,215**	1,399,838
	₱147,830,029	₱134,712,068

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

15. Senior High School Expenses

This account consists of:

	2018	2017
Compensation and employee benefits (Notes 18 and 19)	**₱8,486,400**	₱4,032,557
Staff training and development and meetings	**5,792,249**	1,433,169
Depreciation (Note 11)	**5,164,766**	963,240
Transportation and travel	**2,679,383**	1,228,506
Supplies and materials	**1,645,102**	858,948
Janitorial, messengerial, security	**1,036,111**	602,648
Information technology	**1,026,101**	448,500
Utilities	**995,079**	399,532
Advertising and publicity	**362,617**	198,900
Management and professional fees	**277,206**	307,726
Repairs and maintenance	**228,226**	308,951
Communication and postage	**152,907**	55,220
Taxes and licenses	**151,229**	15,000
Representation	**117,490**	158,580
Amortization (Note 12)	**81,179**	81,968
Library books (Note 11)	**52,481**	13,100
Miscellaneous	**535,677**	183,499
	₱28,784,203	₱11,208,076

16. Tertiary Expenses

This account consists of:

	2018	2017
Compensation and employee benefits (Notes 18 and 19)	**₱4,314,520**	₱1,539,922
Depreciation (Note 11)	**3,391,268**	3,346,358
Staff training and development and meetings	**2,516,068**	117,155
Transportation and travel	**1,843,344**	719,339
Supplies and materials	**1,271,739**	362,790
Janitorial, messengerial, security	**839,358**	514,453
Utilities	**721,027**	343,521
Management and professional fees	**495,242**	740,628
Taxes and licenses	**285,274**	344,147
Information technology	**279,048**	55,230
Advertising and publicity	**261,384**	123,570
Repairs and maintenance	**163,129**	148,846
Representation	**141,800**	82,757
Library books	**95,425**	2,500
Communication and postage	**62,788**	5,709
Amortization (Note 12)	**16,274**	81,968
Miscellaneous	**301,401**	166,589
	₱16,999,089	₱8,695,482

17. 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:

	2018	2017
Not later than one year	**₱711,586**	₱646,503
Later than one year and not later than five years	**102,269**	339,996
	₱813,855	₱986,499

Lease payments recognized under 'Office rental' amounted to ₱1.5 million and ₱1.2 million in 2018 and 2017, 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:

	2018		
	Not later than one year	**Later than one year and less than five years**	**Total**
Principal payments	**₱373,735**	**₱–**	**₱373,735**
Finance charge	**8,930**	**–**	**8,930**
Minimum lease payments	**₱382,665**	**₱–**	**₱382,665**

	2017		
	Not later than one year	Later than one year and less than five years	Total
Principal payments	₱1,908,598	₱419,551	₱2,328,149
Finance charge	227,490	8,930	236,420
Minimum lease payments	₱2,136,088	₱428,481	₱2,564,569

Interest expense recognized on the finance leases amounted to ₱0.2 million and ₱0.5 million in 2018 and 2017, respectively.

Security deposits required by the lease agreements amounting to ₱3.4 million and ₱2.0 million as at December 31, 2018 and 2017, respectively, are included in the "Other noncurrent assets".

18. Retirement Benefits

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

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

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

The Association has 17 employees which are part of Hybrid Plan as at December 31, 2018.

The date of the latest actuarial valuation report for MERP and Hybrid Plan is December 31, 2018.

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

	2018	2017 (As restated Note 2)
Present value of defined benefit obligation	**(₱13,525,619)**	(₱14,564,970)
Fair value of plan assets	**32,831,605**	28,534,622
Effect of asset ceiling	**(8,260,781)**	(3,689,255)
Retirement asset	**₱11,045,205**	₱10,280,397

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

	2018	2017 (As restated Note 2)
Current service cost	**₱1,170,039**	₱1,211,390
Interest income on plan assets	**(1,740,073)**	(1,464,933)
Interest on the effect of asset ceiling	**212,870**	121,663
Interest expense on defined benefit obligation	**840,399**	741,597
Retirement expense	**₱483,235**	₱609,717

The movements in the net retirement asset follow:

	2018	2017 (As restated Note 2)
Balance at beginning of year	**₱10,280,397**	₱8,001,384
Contributions paid	**102,886**	631,216
Retirement expense	**483,235**	609,717
Remeasurement gain recognized during the year	**(1,145,157)**	(2,257,514)
Balance at end of year	**₱11,045,205**	₱10,280,397

The movements in the present value of pension obligation follow:

	2018	2017 (As restated Note 2)
Balance at beginning of year	**₱14,564,970**	₱12,655,246
Actuarial gain	**(6,192,160)**	(3,944,175)
Transfers to the plan	**3,930,887**	3,921,302
Current service cost	**1,170,039**	1,211,390
Interest cost	**840,399**	741,597
Benefits paid	**(788,516)**	(20,390)
Balance at end of year	**₱13,525,619**	₱14,564,970

The movements in the fair value of plan assets follow:

	2018	2017 (As restated Note 2)
Balance at beginning of year	**₱28,534,622**	₱22,732,787
PVO transfer	**3,930,887**	3,921,302
Interest income	**1,740,073**	1,464,933
Contributions paid by employer	**102,886**	631,216
Benefits paid	**(788,516)**	(20,390)
Return on plan assets	**(688,347)**	(195,226)
Balance at end of year	**₱32,831,605**	₱28,534,622

Remeasurement gain or loss on retirement plan follows:

	2018	2017 (As restated Note 2)
Actuarial gain	**(₱6,192,160)**	(₱3,944,175)
Remeasurement gain on plan assets	**688,347**	1,491,435
Effect of asset ceiling	**4,358,656**	195,226
	(₱1,145,157)	(₱2,257,514)

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

	2018	2017 (As restated Note 2)
Cash and cash equivalents	**₱14,583,799**	₱11,759,118
Debt instruments – Government securities	**16,435,501**	14,487,028
Loan receivables	–	1,255,523
Other assets	**1,812,305**	1,032,953
	₱32,831,605	₱28,534,622

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:

	2018	2017
Discount rates		
January 1	**5.77%**	5.86%
December 31	**7.70%**	5.77%
Future salary increases	**5.00%**	5.00%

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

	2018		2017	
	+1.0%	**-1.0%**	+1.0%	-1.0%
Discount rate	**(₱1,306,107)**	**₱1,526,894**	(₱1,721,990)	₱2,066,527
Salary rate	**1,553,430**	**(1,349,017)**	1,908,605	(1,629,410)

The Association plans to contribute ₱2.7 million to the defined benefit retirement plan in 2019. As at December 31, 2018, the average duration of defined benefit obligations is 13.0 years.

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

	2018	2017
Less than 1 year	**₱739,592**	₱416,674
More than 1 year to 5 years	**4,246,187**	2,839,334
More than 5 years to 10 years	**7,820,400**	4,338,721
	₱12,806,179	₱7,594,729

19. **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 PAS 24, Related Party Disclosure.

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

	2018	2017
Short-term employee benefits	**₱13,755,960**	₱2,422,861
Post-employment benefits	**102,923**	1,315,271
	₱13,858,883	₱3,738,132

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, 2018 and 2017 are as follows:

	December 31, 2018		
Category	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Other related parties			
Cash in bank and short-term investments		**₱274,137,373**	Checking, savings and time deposit accounts with annual interest rate ranging from 1.0% to 4.3%
Deposits	**₱367,235,370**		
Withdrawals	**(273,365,119)**		
Interest income	**7,289,111**		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	**1,500,000**		
Equity investments		**9,136,321**	Investments in CMIT with 4.08% ownership and investments in CMPHI and CMHTI with 20.0% ownership each.

(Forward)

December 31, 2018			
Category	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Accounts receivable	**₱**	**₱42,360,464**	For training fees, seminars and meetings and share of expenses
Billings	**289,585,863**		
Collections	**(286,247,600)**		
Donation	**38,006,302**		Represents collectibles from approved donation
Accounts payable		**716,196**	Share of expenses
Billings	**8,659,859**		
Payments	**(8,035,183)**		
Funds held in trust		**109,898,441**	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	**61,013,260**		
Disbursements	**(25,577,349)**		
Lease liability	**(1,954,414)**	**373,735**	Lease of equipment and furniture and fixture from RISE
Seminars and trainings	**245,246,515**		Income derived from providing seminars and trainings to CARD MRI group and the related affiliates
Facilities fee	**950,247**		Income derived from the use of facilities to CARD MRI group and external parties for various events
Dividend income	**2,051,053**		Income derived from the Association's investment in FVOCI
Donations and contributions	**35,000,000**		Funds received by the Association for the support of the social development program
Rent expense	**713,715**		The Association leases premises occupied by its branches. Rent expense is recorded under 'Office rental' (see Note 16)
Contributions	**102,886**		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, 2017			
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Other related parties			
Cash in bank	₱	₱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 investment		9,097,712	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 expenses
Billings	265,723,341		
Collections	(265,039,431)		
Accounts payable		91,519	Share of expenses
Billings	11,554,237		
Payments	(11,493,466)		
Funds held in trust		74,462,530	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

(Forward)

Category	Amount/ Volume	December 31, 2017 Outstanding Balance	Nature, Terms and Conditions
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)

20. Notes to Statements of Cash Flows

Noncash activities of the Association consist of the following:

	2018	2017
Noncash operating activities:		
Remeasurement gain on retirement plan	**₱1,145,157**	₱2,257,514
Reclassification of other asset to property and equipment	**–**	203,622
Fair value gains (losses) on financial assets at FVOCI (Note 7)	**(437,390)**	4,723,812

21. Approval of the Release of the Financial Statements

The accompanying financial statements of the Association were authorized for issue by the BOT on April 9, 2019.

22. Supplementary Information under RR 15-2010

The Association reported and/or paid the following types of taxes in 2018:

Taxes and Licenses

Taxes and licenses in 2018 recorded as 'Taxes and licenses' in the statements of revenue and expenses and changes in fund balance consist of:

Real property tax	₱504,703
Business permits and licenses	179,748
Community tax certificate	6,672
Annual registration	1,000
Others	298,535
	₱990,658

Withholding Taxes

The following withholding taxes are categorized into:

	Paid	Payable
Withholding tax on compensation	₱853,806	₱222,952
Expanded withholding tax	2,616,661	345,306
	₱3,470,467	₱568,258

Tax Contingencies

The Association has no pending tax cases or assessments as at December 31, 2018.

CARD MRI
CARD Mutually Reinforcing Institutions

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