

CMDI ANNUAL REPORT 2020



BUILDING DIGITAL COMMUNITIES THROUGH OPTIMAL
RESOURCES AND TECHNOLOGY-DRIVEN INITIATIVES

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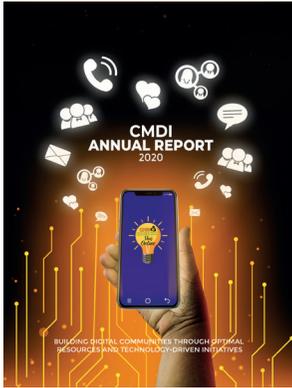
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ABOUT THE COVER



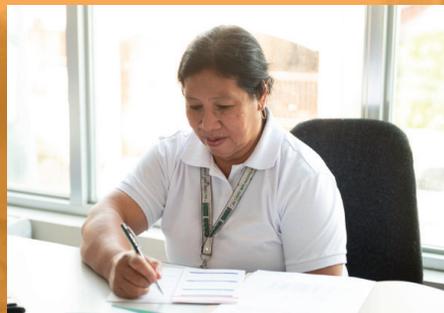
For the last 15 years, CARD-MRI Development Institute, Inc. (CMDI) has been supporting students and clients in low income families through quality education and training. As a new era approaches and a New Normal begins, we continue our mission to eradicate illiteracy and poverty armed with optimal resources that will help us achieve our ultimate goal. This 2020, we chose a new path paved with innovations that had proven to be effective in our journey to digitalization.

Our cover embraces the technology-driven initiatives of CMDI and

addresses the challenges of the pandemic by utilizing key digital strategies to business and entrepreneurship in the comforts of one's home.

The cover features Lorna Atienza, 62 years old, a former president of CARD MBA, as she holds one of the most important tools CMDI has devised to share our knowledge in entrepreneurship, CMDI Kabuhayan Ideas Online. The cover entails that there is no limitation as to who can access our visual materials in our social media page, which can be integrated to the lives of the clients we serve as they venture into business to improve their lives. Be they young or old, anyone can freely access CMDI Kabuhayan Ideas Online as the social media page fulfills the goal of CARD MRI to create opportunities for Filipinos especially those at the hem of the society. Meanwhile, the icons that emanate from the mobile device symbolize the digital communities that we have built to bridge the gaps in communication and encourage a collaborative approach between the mutually reinforcing institutions.

LORNA ATIENZA
Client



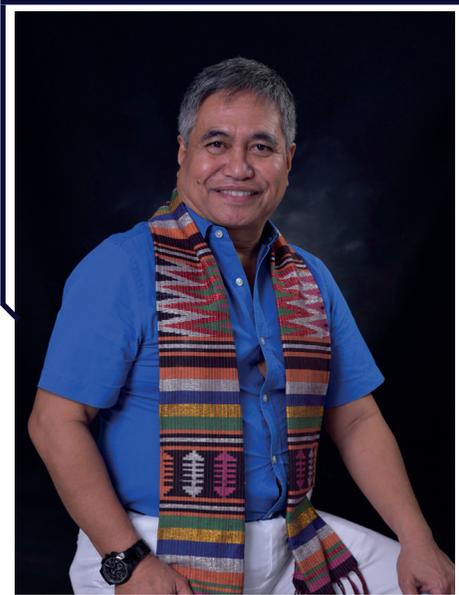
VISION

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

MISSION

CMDI commits to:

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



A BEACON OF HOPE IN THE TIME OF DIGITIZATION

Message from the Chairperson



The year 2020 may be the most difficult year we had to face yet. It has divulged many challenges, but it has also given us many opportunities to adapt to the needs of our clients. We did not stop being present for our learners. Instead, we at CMDI embraced our journey to digitalization as we serve our learners and instill them with lessons through the training sessions and capacity-building programs we continue to conduct for them online.



DR. JAIME ARISTOTLE B. ALIP

Chairperson



CARD- MRI Development Institute, Inc. remains to be a beacon of hope to the communities we serve overtime. It continues to shine its light towards its members, students, and staff and paves the way to new beginnings that will inspire other people to dream and to learn again. We have never strayed from our mission to defeat the cycle of poverty and illiteracy in the country. Instead, we have faced the challenges head on by continuously providing our learners the knowledge and wisdom they need to be better prepared for the future.

E-learning is the way to go now for CMDI. Although we hope to have a blended approach of both face-to-face learning and online education in the future, we will still maximize our digitalization efforts and hope that all our learners be included in our trainings and other educational programs. To make this possible, we will utilize the Learning Management System (LMS), a software that is complete with online modules and other educational materials that will help us deliver our courses in a much efficient and systematized manner. We will also ultimately use social media to invite our

students to learn with us online as well as to educate them through our live webinars and trainings.

It is also note-worthy to report how our staff's dedication come into place in all of this. Our staff are the ones who bring education to our students' doorsteps in situations where our learners lack the resources for them to learn online. Specifically, our staff distribute the students' modules and retrieve the already answered modules from them. This is what our capacity-building programs do for our staff. It strengthens them and passes on skills for them to use when circumstances demand, especially when challenges arise.

Moreover, we envision to increase the capacity of our staff and provide new programs and courses for our students in the future. Through this vision, we hope to empower our learners to build a better quality of life for themselves and for their communities. It is something we hold on to, which will make us one with CARD and its mutually reinforcing institutions in its mission to eradicate poverty in the Philippines.

More importantly, we will never stop promoting our core values and embedding them in our trainings and programs to let our learners become deeply rooted to our guiding principles. I believe that this will propel us forward to become better citizens to our communities and will equip us in

our journey to fulfilling our mission together.

The year 2020 has left us with many challenges but it has also trained us to be prepared and ready to face these trials. For the year 2021, let us move as a community with competence, integrity, humility, and excellence, and let us not stop dreaming for ourselves and our families as we continue to move forward without fear of tomorrow.



"The year 2020 has divulged many challenges, but it has also given us many opportunities to adapt to the needs of our clients."



EMPOWERING COMMUNITIES THROUGH EDUCATION

Message from the President



students, themselves, faced a lack of tools and facilities that will help them with their e-learning.

Because of this, we need to adjust. We need to look for ways to keep ourselves under the radar of our students; and we did this by training our staff to deliver our students' modules in the most convenient way possible. Moreover, through the help of our financial institutions, we provide cellphone loans to our members so that their children may use it for their online learning.

This is what we do at CMDI. We are not just the quintessential school which provides education for our students. In our heart of hearts, our goal is to create students who empower their communities to rise up from poverty. This makes us one with the mission of CARD to eradicate poverty in the Philippines.

Catalysts of Change

We are grateful that amid the adversities that came our way, we are united because of the core values that made us one. Our competence



FLORELIZA L. SARMIENTO

President



Every year, CARD-MRI Development Institute, Inc. (CMDI) tries to reach new heights to provide better services for its students, staff, and members. This year, however, CMDI faces the most dangerous adversary that tried to kick us on the ground, the COVID-19 pandemic. This led us to a New Normal that pushed us to adapt to a different way of life. This means we have to undergo an elaborate transition from face to face gatherings to a completely virtual way of learning.

We cannot say that it wasn't without its trials. In fact, it was not only CMDI that struggled with the changes in the way we deliver our services; the



“In our heart of hearts, our goal is to create students who empower their communities to rise up from poverty.”

pushes us to create equally capable students who are equipped to lead their communities to better lives; our family spirit binds us together and teaches us how to be of help to our neighbors; our simplicity leads us to streamline our processes for the benefit of our students; and these all makes us better stewards of the students who were entrusted to us by their families.

We integrate these core values in our lessons to encourage students to pursue excellence and humility at all times. It is our purpose to hone students who will be a primary participant in building our nation for the better. We believe that with the values we impart, we are creating students who will be catalysts of change in our communities and in our country. With each step we take, not only do we give them a better future,

but we also train them to bring light to their communities one step at a time. It will start from their homes and extend to their barangays. This is what we wanted to see at CMDI, and we believe we may only achieve this if we also capacitate our staff to share their knowledge and abilities with our students.

With full determination, I believe that we can achieve our mission and our direction for the next decade to come. With our optimum services, we may run the race to our 10-20-80 strategic direction and give our students access to scholarships and affordable quality education. We shall be optimistic rather than anxious for the years to come, because we know that we will conquer the challenges as we work together for the development of our institution and of CARD MRI as a whole.



MOVING COMMUNITIES AND BEYOND

Executive Vice President's Report



Continuous education

CARD-MRI Development Institute, Inc. has continued providing training and education programs for its staff, members, and students in the New Normal. We have maximized the use of technology and alternative delivery channels for our education programs.

We have installed and maximized e-learning and utilized a blended approach wherein classrooms are converted into online learning hubs to cope with the necessities of the New Normal. We also continued offering our programs for the students using three modalities: online, modular, and a combination of the two.

The challenge lies in maintaining the communication and coordination with the learners. Before the pandemic, students attend their classes in a face-to-face set up, while staff and clients attend a two to three-day training program. This time, however, the pandemic really hampered our operations, and we were challenged to engage the students to continue learning online.

We also needed to take into consideration students who lack

DR. EDZEL A. RAMOS

Executive Vice President



As a new year approaches, we are given another opportunity to serve our staff, students, learners, and members by providing them with quality and affordable education alongside our capacity-building programs. Through these services, we are once again equipped in our unwavering mission to eradicate poverty, armed with our core values and powered by a great desire to reach the unreachable.

In the midst of challenges, we have striven hard to face the barriers that loomed before us, and with the help of our community, we have stood against these trials with perseverance.

the tools necessary to learn online including internet, load, and gadgets. The pandemic has really divulged the issues on accessibility, but what is good is that we have already used different platforms including social media to communicate with the participants and to engage them to attend the training programs.

Using the online methodology in training and orienting the staff posed a dilemma overtime as well. To bridge the gaps in communication, we tried our best to use different medium like Zoom and Google Meet for them to be trained in a short span of time.

To overcome these challenges, we have obtained a Learning Management System (LMS) provider and deployed capacity-building programs by using this platform. We have modified our training programs in support of the digitalization initiative of CARD MRI to continue to be relevant amid the pandemic. Training evaluations and even enrollment were also converted online.

We have adapted to the needs of our learners. Whether they can go online or not is not an issue for us anymore for we have found a way of acquiring and delivering our modules to them. One thing we are proud of is that the teachers who have attended our capacity-building programs are involved in developing online modules, sessions, and also printed manuals. For students who cannot go online, our trainers go to the field



“In the midst of challenges, we have striven hard to face the barriers that loomed before us, and with the help of our community, we have stood against these trials with perseverance.”

every other week with the students’ modules on-hand, distribute it, and obtain the already answered module of the previous week from them.

There can be two sides to the pandemic. For one, it can cause problems and issues with our day-to-day operations, but on the other side, it also brings an opportunity for CMDI to adapt to the needs of our clients. We have determined a more efficient and effective way of doing things that we haven’t done before during a traditional classroom set-up and face-to-face capacity-building program. The pandemic really has hastened our adaption to digitalization.



Second, we found out about a new way of building relationships with the learners, students, and even the staff. For the staff, we learned a new way of managing them. We came up with a new agreement and arrangement to increase the efficiency of the staff. For the learners, we found out that the pandemic also provided us the opportunity to look, evaluate, and further enhance the relationship we have with the participants as we move forward.

Social media and the digital space

To widen CARD's outreach in the digital space, we utilized social media in advertising our programs as well as inviting, sending, and training our students to learn online.

The Learning Resource and Digital Education (LRDE) was able to deliver 29 livelihood videos and 11 livelihood infographics posted at CMDI Kabuhayan Ideas Online, while there were 5 infobites and another 5 infographics posted at CMDI Dagdag Kaalaman Online. LRDE also assisted in the 19 batches of Enterprise Development Program (EDT) live sessions and two (2) batches of Product Development Coaching and Mentoring in partnership with Mga Likha Ni Inay. Around 3,408 completed the training and received their e-certificates thereafter.

There is no boundary. The pandemic

really helped us reevaluate and improve the things we do for our students.

In 2021, we are really pushing for digitalization for our learners, but we hope that if things get normal, we will use the blended approach in which there will be online and either a face-



“As we push through with our electronic education initiative, we will still be true to CMDI’s primary function as a beacon of CARD MRI’s core values.”

to-face learning or a cyber classroom.

As we focus on the needs of CARD MRI staff and clients, we are looking at how we can engage more participants and how we can get more students by offering new programs and courses. We are also increasing the capacity of our staff for us to contribute to the new initiatives of CARD MRI.

Hand in hand, we will set up our own system, the Learning Management System, to install a digital hub for our training participants and students. This system includes online modules, videos, lessons, and quizzes that the system automatically checks at the end of the day.

Upholding our values

As we push through with our electronic education initiative, we will still be true to CMDI's primary function as a beacon of CARD MRI's core values. Our students in the barangays, the staff in their branches, and the members who attend our trainings and education online are all part of our digital communities to whom we impart our principles.

The core values of CARD MRI are always embedded as we synthesize the learning and as we develop and deliver the modules. One example of this is our branch focus training. In this training, we discuss internal audit and controls. In a deeper analysis, our students learn about integrity.

We also give the students their quizzes, exams, and projects to promote and increase their competence in class. It is really in how we synthesize the sessions that we lead the students to learn our core values, which will serve as their guiding principle to help us eradicate poverty in the Philippines.

Digitalization and community

The pandemic really twisted our arm to really follow through with our initiative without losing track of our mission. Digitalization is there, but it should always be aligned to the needs of our clients, our learners, and our students in order for us to continue our services.

The digitalization is not only a one-sided affair. The digitalization should always go hand-in-hand with our learners and our participants. That is why when we say "digitalization", it is a community composed of CMDI teachers and staff, as well as the community of our students and learners. This is how I define a "community", and I believe that as we move as a community, we will shoulder through all the barriers that are in front of us and we will use these to shatter the walls that hinder us from reaching our goal to eradicate illiteracy and poverty in the Philippines.



4,832

STAFF TRAINED

7,703

CLIENTS TRAINED

748,041

CREDIT WITH
EDUCATION OUTREACH





972

SENIOR HIGH SCHOOL
STUDENTS



1,838

COLLEGE STUDENTS



2

CAMPUSES



1,872

SCHOLARS

2020 IN NUMBERS



THIS IS OUR 2020 TWENTY-TWENTY

These photos were taken before the pandemic



MANAGEMENT COMMITTEE

MS. FLORDELIZA L. SARMIENTO
President

DR. EDZEL A. RAMOS
Executive Vice President

MS. DEVERNA DT. BRIONES†
VP for Administration and Academic
Affairs



ADMINISTRATION AND ACADEMIC AFFAIRS

College Deans

DR. JAIME ARISTOTLE B. ALIP

Dean, Department of Business and Management (Tagum Campus)

DR. DOLORES M. TORRES

Dean, Department of Business and Management (Bay Campus)

MS. LORENZA DT. BANEZ

Dean, Department of Accountancy (Bay Campus)

DR. REAGAN B. RICAFORT

Department of Information and Communication Technology (Bay Campus)

MS. ESTRELLIETA OLAER, CPA, MBA

Dean, Department of Accountancy (Tagum Campus)

MS. MARY JANE A. PERRERAS

Associate Dean, Department of Business and Management (Bay Campus)

ADMINISTRATION AND FINANCE

MS. ANALIZA DE LUMBAN

Assistant Vice President for Admin and Finance

MS. GLENDA M. LAGARILE

Deputy Director for Degree Education and Partnership

MS. LOURDES A. MEDINA

Deputy Director for Publications and Academic Affairs

MR. CONSTANCIO B. LA ROSA, JR.

Deputy Director for Compliance

MS. DAISY JANE D. CABALLERO

Associate Dean, CMDI Tagum

MS. MARISOL M. MENDELIVAR

Deputy Director for BS Entrepreneurship Program

MS. MA. ANA M. TOLEDO

Program Head, Academe

MS. ANNA THERESE A. DE LEON

Associate Registrar

LEARNING RESOURCE AND DIGITAL EDUCATION

MR. NEIL M. POLINAG

Assistant Vice-President for Center for Leadership

CHRISTIAN ALBERT A. SANDOVAL

Asst. Vice-President for Mindanao Operations

MS. CARISSA MONINA C. RAMIREZ

Assistant Vice-President for Learning and Development

MS. CECILLE U. CRUZA

Acting Deputy Director for Training

MS. DOROTHY G. NAMORA

Deputy Director for Training, Mindanao

MR. MARWIN D. MIRA

Deputy Director for Luzon

MR. JERWIN N. DAYON

Deputy Director for Visayas Region

MS. CLEOFE M. FIGURACION[†]

Deputy Director for Learning Resource and Digital Education

BOARD OF DIRECTORS

DR. JAIME ARISTOTLE B. ALIP
Chairman

MS. FLORDELIZA L. SARMIENTO
President

DR. DOLORES M. TORRES
Vice Chairperson for Corp. Planning and External Affairs

MS. LORENZA DT. BANEZ
Corporate Secretary/Treasurer

MS. MA. LUISA P. CADAING
Director

DR. GILBERTO M. LLANTO
Director

DR. AGNES C. ROLA
Director

DR. ROSALINA J. FUENTES
Director

MR. MARIO DERIQUITO
Director

DR. MARIA CYNTHIA ROSE BAUTISTA
Director

PROF. TAKAYOSHI M. AMENOMORI
Ex-Officio at Large

MS. MYKA REINSCH
Ex-Officio at Large

MS. PASCUALA GENOSO
Ex-Officio Member



INSTITUTIONAL PARTNERSHIPS

PARTNERSHIPS/COLLABORATIONS

- BANKERS INSTITUTE OF THE PHILIPPINES (BAIPHIL)
- BDO FOUNDATION
- DEVELOPMENT ACADEMY OF THE PHILIPPINES (DAP)
- PHILIPPINE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS (PICPA)
- SAVINGS BANK FOUNDATION FOR INTERNATIONAL COOPERATION (SBFIC)
- SOUTHEAST ASIA INTERDISCIPLINARY DEVELOPMENT INSTITUTE (SAIDI)
- UNIVERSITY OF THE PHILIPPINES LOS BAÑOS-COLLEGE OF PUBLIC AFFAIRS (CPAf)
- COUNCIL OF DEANS & EDUCATORS OF BUSINESS IN REGION IV-A

REGULATORY BODIES

- COMMISSION ON HIGHER EDUCATION (CHED)
- DEPARTMENT OF EDUCATION (DEPED)
- TECHNICAL EDUCATION AND SKILLS DEVELOPMENT AUTHORITY (TESDA), LAGUNA
- PHILIPPINE COUNCIL OF NGO CERTIFICATION (PCNC)

INSTITUTIONAL PROFESSIONAL MEMBERSHIP

- PHILIPPINE SOCIETY OF INFORMATION TECHNOLOGY EDUCATORS (PSITE)
- PHILIPPINE E-LEARNING SOCIETY (PELS)
- PHILIPPINE SOCIETY FOR TRAINING AND DEVELOPMENT (PSTD)
- JUNIOR PHILIPPINE INSTITUTE OF ACCOUNTANTS (JPIA)
- TAGUM DOCTORS HOSPITAL

**AUDITED
FINANCIAL
STATEMENTS**

2020



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

Audited Financial Statements
December 31, 2020 and 2019

and

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of CARD-MRI Development Institute, Inc. (A Nonstock, Not-for-Profit Association) (the Association), which comprise the statements of assets, liabilities and fund balance as at December 31, 2020 and 2019, and the statements of revenue and expense, statements of comprehensive income, statements of changes in fund balance and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

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

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

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

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



Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



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

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

SYCIP GORRES VELAYO & CO.

Miguel U. Ballelos Jr.

Miguel U. Ballelos, Jr.

Partner

CPA Certificate No. 109950

SEC Accreditation No. 1566-AR-1 (Group A),

April 3, 2019, valid until April 2, 2022

Tax Identification No. 241-031-088

BIR Accreditation No. 08-001998-114-2019,

January 28, 2019, valid until January 27, 2022

PTR No. 8534220, January 4, 2021, Makati City

May 31, 2021



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

STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE

	December 31	
	2020	2019
ASSETS		
Current Assets		
Cash in banks (Note 6)	₱48,123,098	₱90,660,886
Financial investments at amortized cost (Note 7)	190,033,210	236,718,515
Receivables (Note 8)	17,709,241	18,994,410
Other current assets (Note 9)	20,830,685	13,361,221
	<u>276,696,234</u>	<u>359,735,032</u>
Noncurrent Assets		
Receivables (Note 8)	-	3,058,333
Financial investments:		
At amortized cost (Note 7)	30,000,000	30,000,000
At fair value through other comprehensive income (Note 7)	84,529,969	7,148,163
Investments in associates (Notes 10 and 19)	804,494	935,276
Property and equipment (Note 11)	214,760,381	229,568,820
Software costs (Note 12)	2,275,239	3,240,837
Retirement asset (Note 18)	4,179,247	6,297,117
Other noncurrent assets (Note 17)	3,405,281	4,713,199
	<u>339,954,611</u>	<u>284,961,745</u>
TOTAL ASSETS	₱616,650,845	₱644,696,777
LIABILITIES AND FUND BALANCE		
Current Liabilities		
Accounts payable and accrued expenses (Note 13)	₱8,769,649	₱18,161,742
Lease liabilities (Note 17)	1,689,167	3,533,255
	<u>10,458,816</u>	<u>21,694,997</u>
Noncurrent Liabilities		
Accounts payable (Note 13)	92,308,843	131,993,070
Lease liabilities (Note 17)	153,064	3,072,482
	<u>92,461,907</u>	<u>135,065,552</u>
	<u>102,920,723</u>	<u>156,760,548</u>
Fund Balance		
General fund	432,932,747	421,732,718
Restricted fund	61,222,093	58,422,085
Remeasurement gain on retirement plan (Note 18)	5,022,398	5,710,163
Net unrealized gains on financial assets at fair value through other comprehensive income (Note 7)	14,552,884	2,071,263
	<u>513,730,122</u>	<u>487,936,229</u>
TOTAL LIABILITIES AND FUND BALANCE	₱616,650,845	₱644,696,777

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	
	2020	2019
REVENUE		
Seminars and trainings	₱83,889,932	₱273,781,460
Senior high tuition and other school fees	13,708,060	22,783,450
Tertiary tuition and other school fees	30,054,571	30,071,082
	127,652,563	326,635,992
Cost of seminars, trainings and other programs (Note 14)	63,336,933	148,145,810
Senior high school expenses (Note 15)	25,993,190	37,779,617
Tertiary expenses (Note 16)	24,012,901	26,927,873
	113,343,024	212,853,300
Gross revenue	14,309,538	113,782,692
Donations and contributions	9,000,000	16,543,571
Interest income (Notes 6 and 7)	10,955,275	12,784,295
Dividend income (Note 7)	6,441,375	1,977,890
Facilities fee	171,103	991,179
Share in net income (loss) from investment in associates (Note 10)	(30,184)	159,283
Other school fees	163,924	4,226,544
	41,011,031	150,465,454
ADMINISTRATIVE EXPENSES		
Compensation and employee benefits (Notes 18)	11,663,091	9,238,165
Depreciation expense (Note 11)	4,784,135	4,967,035
Provision for credit losses (Note 8)	2,469,552	2,654,645
Program monitoring and meetings	1,437,403	8,539,561
Transportation and travel	1,085,422	907,800
Taxes and licenses	987,760	1,788,395
Supplies and materials	747,199	1,388,155
Staff training and development	716,081	4,927,753
Information technology	563,569	1,056,668
Interest expense on lease liabilities (Note 17)	264,223	378,495
Management and professional fees	82,311	1,390,567
Others	2,201,227	2,721,555
	27,010,995	39,958,794
EXCESS OF REVENUE OVER EXPENSES	₱14,000,036	₱110,506,660

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	
	2020	2019
EXCESS OF REVENUE OVER EXPENSES	₱14,000,036	₱110,506,660
OTHER COMPREHENSIVE INCOME (LOSS)		
<i>Other comprehensive income (loss) not recycled to profit or loss in subsequent periods</i>		
Change in remeasurement gain on retirement plan (Note 18)	(687,765)	(4,902,707)
Change in net unrealized gain financial assets at fair value through other comprehensive income (Note 7)	12,481,622	(2,215,159)
	11,793,857	(7,117,866)
TOTAL COMPREHENSIVE INCOME	₱25,793,893	₱103,388,794

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 (Note 2)	Restricted Fund (Note 2)	Remeasurement Gains on Retirement Plan (Note 18)	Net Unrealized Gains on Financial Assets at Fair Value through Other Comprehensive Income (Note 7)	Total
Balances at January 1, 2020	₱421,732,718	₱58,422,085	₱5,710,163	₱2,071,263	₱487,936,229
Appropriations during the year	(2,800,007)	2,800,007	—	—	—
Total comprehensive income (loss) for the year	14,000,036	—	(687,765)	12,481,622	25,793,893
Balance at December 31, 2020	₱432,932,747	₱61,222,092	₱5,022,398	₱14,552,885	₱513,730,121
Balances at January 1, 2019 as restated	₱333,327,389	₱36,320,754	10,612,870	4,286,422	384,547,435
Appropriations during the year	(22,101,331)	22,101,331	—	—	—
Total comprehensive income (loss) for the year	110,506,660	—	(4,902,707)	(2,215,159)	103,388,794
Balance at December 31, 2019	₱421,732,718	₱58,422,085	₱5,710,163	₱2,071,263	₱487,936,229

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	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses	₱14,000,036	₱110,506,660
Adjustments for:		
Income recognized from reversal of funds held in trust (Note 20)	(60,688,218)	(129,131,337)
Depreciation and amortization expense (Notes 11 and 12)	28,600,591	26,723,524
Interest income (Notes 6 and 7)	(10,955,275)	(12,784,295)
Dividend income (Note 7)	(6,441,375)	(1,977,890)
Provision for credit losses (Note 8)	2,469,552	2,654,645
Interest expense on lease liabilities (Note 17)	264,223	378,495
Net retirement expense (Note 18)	1,828,795	161,354
Share in net loss (income) of associates (Note 10)	30,184	(159,283)
Operating (loss) before working capital changes	(29,336,912)	(5,094,527)
Changes in operating assets and liabilities:		
Decrease (increase) in the amounts of:		
Receivables	2,039,279	37,886,314
Other current assets	(6,161,545)	(9,270,421)
Decrease in the amounts of		
Accounts payable and accrued expenses	(9,392,093)	(5,158,314)
Net cash generated from (used in) operations	(42,851,271)	18,363,052
Interest received	10,798,946	9,798,478
Dividends received	400,567	1,274,890
Contributions to retirement fund (Note 18)	(398,690)	(315,973)
Interest paid	-	-
Net cash provided by (used in) operating activities	(32,059,449)	29,120,447
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for:		
Purchase of financial investments at amortized cost	(1,250,046,595)	(601,757,249)
Acquisitions of property and equipment	(13,648,374)	(121,413,770)
Acquisitions of software license (Note 12)	-	(851,684)
Acquisitions of investment in associates	(299,970)	(299,995)
Proceeds from:		
Maturity of financial investments at amortized cost	236,718,515	573,586,743
Net cash used in investing activities	(27,276,424)	(150,435,960)
CASH FLOWS FROM FINANCING ACTIVITY		
Receipt of funds held in trust (Note 20)	21,003,991	151,225,965
Payments of finance lease (Note 17)	(4,094,101)	(4,838,930)
Net cash provided by financing activities	16,909,890	146,387,035
NET INCREASE (DECREASE) IN CASH IN BANKS	(42,425,983)	25,071,522
CASH IN BANKS AT BEGINNING OF YEAR	90,660,886	65,589,364
CASH IN BANKS AT END OF YEAR (Note 6)	₱48,123,097	₱90,660,886

See accompanying Notes to Financial Statements.

CARD-MRI DEVELOPMENT INSTITUTE, INC.

(A Nonstock, Not-for-Profit Association)

NOTES TO FINANCIAL STATEMENTS

1. General Information

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

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

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

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

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

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

2. Summary of Significant Accounting Policies

Basis of Preparation

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

Statement of Compliance

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

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except that the Association has adopted the following new accounting pronouncements starting January 1, 2020. Adoption of these pronouncements did not have any significant impact on the Association's financial position or performance.



- Amendments to PFRS 3, *Business Combinations, Definition of a Business*
- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*
- Conceptual Framework for Financial Reporting issued on March 29, 2018
- Amendments to PFRS 16, *COVID-19-related Rent Concessions*

Significant Accounting Policies

Current versus Noncurrent Classification

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

An asset is current when it is:

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

All other assets are classified as noncurrent.

A liability is current when it is:

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

All other liabilities are classified as noncurrent.

Fair Value Measurement

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

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

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

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



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

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

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

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

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

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

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

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

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

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

The Association has no financial instruments at FVPL as at December 31, 2020 and 2019.

Financial assets and liabilities at amortized cost

Financial assets at amortized cost are financial assets that meet both of the following conditions:

(i) these are held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows; and (ii) the contractual terms give rise on specified dates to cash flows that are SPPI on the outstanding principal amount.

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

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

Cash in banks

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

Short-term Investments

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

Long-term Investments

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

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



Financial assets at FVOCI - equity investments

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

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

Derecognition of Financial Assets and Liabilities

Financial assets

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

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

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

Financial liabilities

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

Impairment of Financial Assets

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

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from



default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

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

Investments in Associates

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

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

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

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

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

Property and Equipment

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

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



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

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

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

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

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

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

Software Costs

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

Impairment of Nonfinancial Assets

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

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

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

Recoverable amount

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



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

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

Reversal of impairment

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

Fund Balance

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

Restricted funds

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

Accumulated excess of revenue over expenses

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

Revenue Recognition

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

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

Seminars and trainings fees

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

Tuition fees and other school fees

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

Interest income

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



Donations and contributions

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

Dividend income

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

Cost and Expense Recognition

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

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

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

Leases

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

Association as a lessee

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

Right-of-use assets

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



Lease liabilities

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

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

Short-term leases and leases of low-value assets

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

Association as a lessor

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

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.

Movement of the retirement costs comprise the following:

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



- Remeasurements of net defined benefit liability or asset

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

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

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

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

Provisions and Contingencies

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

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

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

Events after the Reporting Period

Post-year-end events up to the date of the approval of the BOT of the financial statements that provide additional information about the Association's position at the reporting date (adjusting



effects) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

Standards Issued but not yet Effective

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

Effective beginning on or after January 1, 2021

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform - Phase 2*

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*
- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*
- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*
- Annual Improvements to PFRSs 2018-2020 Cycle
 - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
 - Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*
 - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

Effective beginning on or after January 1, 2023

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- 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 Judgements and Estimates

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

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, 2020 and 2019 are disclosed in Note 8.

(b) *Present value of retirement asset*

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

As at December 31, 2020 and 2019, the carrying values of retirement asset of the Association are disclosed in Note 18.

Judgment

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

(a) *Leases - Estimating the incremental borrowing rate*

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

The Association's lease liabilities amounted to ₱0.92 million and ₱6.61 million as of December 31, 2020 and 2019, respectively (see Note 17).

4. Fair Value Measurement

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

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



Funds held in trust

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

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

	2020	
	Carrying value	Fair value measurement using significant unobservable inputs (Level 3)
Recurring fair value measurement		
Financial assets at FVOCI	₱84,529,969	₱84,529,969
Assets for which fair values are disclosed:		
Financial investments at amortized cost	30,000,000	28,907,640
	₱114,529,969	₱113,437,609
	2019	
	Carrying value	Fair value measurement using significant unobservable inputs (Level 3)
Recurring fair value measurement		
Financial assets at FVOCI	₱7,148,163	₱7,148,163
Assets for which fair values are disclosed:		
Financial investments at amortized cost	30,000,000	26,756,372
	₱37,148,163	₱33,904,535

Description of significant unobservable inputs to valuation follow:

Account	Valuation Technique	Significant Unobservable Input	Inputs	
			2020	2019
Financial assets at FVOCI	Adjusted net asset	Book value per share	₱129.00/share	₱141.00/share
Financial investment at amortized cost	Discounted cash flow	Risk premium rate	2.83%	4.00%

5. Financial Instruments and Financial Risk Management Objectives and Policies

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

- Credit risk
- Liquidity risk
- Market risk

In line with the Center for Agricultural and Rural Development Mutually Reinforcing Institutions’ (CARD MRI) mission of “*providing continued access to integrated microfinance and social development services to an expanding membership base by organizing and empowering women and*



their families”, risk management framework of the Association involves identifying and assessing risks, designing strategies and implementing policies to mitigate risks, and conducting evaluation for adjustments needed to minimize risks.

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

Credit Risk

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

Maximum exposure to credit risk

The maximum exposure of the Association’s financial instruments is equivalent to the carrying values as reflected in the statements of financial position and related notes. The Association holds no collateral and other credit enhancements against its credit risk exposure as at December 31, 2020 and 2019.

Credit Concentration

Concentration arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. As at December 31, 2020 and 2019, the Association’s cash in Associations and receivables are concentrated to financial intermediaries and customers, respectively.

Credit quality per class of financial assets

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

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

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

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

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

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



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

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

	2020			2019		
	ECL Staging		Total	Stage 1 Non-default	Stage 3 Defaulted	Total
	Stage 1 Non-default	Stage 3 Defaulted				
Neither past due nor impaired						
High grade	P6,186,764	P-	P6,186,764	P8,238,346	P-	P8,238,346
Standard grade	9,797,572	-	9,797,572	2,417,018	-	2,417,018
Past due but not impaired	-	-	-	-	4,709	4,709
Past due and impaired	-	8,169,219	8,169,219	-	15,367,432	15,367,432
Gross carrying amount	P15,984,336	P8,169,219	P24,153,555	P10,655,364	P15,372,141	P26,027,505

As at December 31, 2020 and 2019, Association's receivables that are past due for more than 1 year are considered impaired. Following use of a simplified ECL, given receivables are short term in nature, non-defaulted accounts are computed with lifetime ECL.

Liquidity Risk

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

The table below summarize the maturity profile of the financial instruments of the Association based on undiscounted cash flows as at December 31, 2020 and 2019:

	2020			
	On demand	Within 1 Year	More than 1 Year	Total
Cash and cash equivalents	P48,123,098	P-	P-	P48,123,098
Financial investments at amortized cost	-	190,033,210	30,000,000	220,033,210
Financial assets at FVOCI (Note 7)	-	-	84,529,969	84,529,969
Receivables (Note 8)				
Students	14,532,052	-	-	14,532,052
Interest receivable	7,359,212	-	-	7,359,212
Related parties	2,262,291	-	-	2,262,291
Prepaid subscription (Note 9)	19,069,759	-	-	19,069,759
	91,346,412	190,033,210	114,529,969	395,909,591
Accounts payable and accrued expenses (Note 13)				
Funds held in trust	-	-	92,308,843	92,308,843
Accounts payable	5,176,472	-	-	5,176,472
Accrued expenses	3,457,152	-	-	3,457,152
Lease liabilities	-	1,689,167	153,064	1,842,231
	8,633,624	1,689,167	92,461,907	102,784,698
	P82,712,788	P188,344,043	P22,068,062	P293,124,893



2019				
	On demand	Within 1 Year	More than 1 Year	Total
Cash and cash equivalents	₱90,660,886	₱-	₱-	₱90,660,886
Financial investments at amortized cost	-	236,718,515	30,000,000	266,718,515
Financial assets at FVOCI (Note 8)	-	-	7,148,163	7,148,163
Receivables: (Note 7)				
Students	16,174,683	-	-	16,174,683
Interest receivable	7,193,882	-	-	7,193,882
Related parties	2,658,940	-	-	2,658,940
Prepaid subscription (Note 9)	12,195,174	-	-	12,195,174
	128,883,565	236,718,515	37,148,163	402,750,243
Accounts payable and accrued expenses: (Note 13)				
Funds held in trust	-	-	131,993,070	131,993,070
Accounts payable	10,636,016	-	-	10,636,016
Accrued expenses	6,867,599	-	-	6,867,599
Lease liabilities	-	3,854,605	3,855,605	7,710,220
	17,503,615	3,854,605	135,848,675	157,206,895
	₱111,379,950	₱232,863,910	(₱98,700,512)	₱245,543,348

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 share price (in basis points)		Change in weighted cost of capital (in basis points)	
	2020		2019	
	+100 bps	-100 bps	+100 bps	-100 bps
Change in equity	₱845,300	(₱845,300)	₱7,230,013	(₱7,086,845)
	Change in share price (in basis points)		Change in weighted cost of capital (in basis points)	
	2020		2019	
	+100 bps	-100 bps	+100 bps	-100 bps
Change in equity	₱845,300	(₱845,300)	₱7,230,013	(₱7,086,845)



Appropriation of Fund Balance

On October 21, 2017, the Association's Board of BOT approved the appropriation of 20% percent of the total revenue and expenses for large expenses the Association will incur in the future, allocated 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.

For the period ended December 31, 2020 and 2019, excess of revenue over expenses amounted to ₱14.00 million and ₱110.51 million, respectively, of which 20% is appropriated, bringing the total appropriation to ₱61.22 million and ₱58.42 million as at December 31, 2020 and 2019, respectively.

6. Cash in Banks

This account consists of:

	2020	2019
Demand deposits	₱29,430,925	₱33,986,739
Savings deposits	18,692,173	56,674,147
	₱48,123,098	₱90,660,886

Cash in banks represent peso-denominated current and savings accounts which earn interests at an annual rate ranging from 0.05% to 1.50% and from 1.00% to 1.50% in 2020 and 2019, respectively.

In 2020 and 2019, cash in banks earned interest amounting to ₱0.61 million and ₱0.53 million, respectively.

7. Investment Securities

Financial Investments at Amortized Cost

This account is composed as follows:

	2020	2019
Short term investments	₱190,033,210	₱236,718,515
Long term investments	30,000,000	30,000,000
	₱220,033,210	₱266,718,515

Short-term investments

Short-term investments represent peso denominated time deposits with maturity ranging from two(2) months to one (1) year and from three (3) months to one (1) year in 2020 and 2019, respectively, and with annual interest rates ranging from 3.00% to 6.00% and from 3.00% to 4.25% in 2020 and 2019, respectively.

Interest earned on short-term investments amounting to ₱8.81 million and ₱9.19 million in 2020 and 2019, respectively.



Long-term investments

Long-term investment represent time deposit amounting to ₱30.00 million placed under Rizal Bank, Inc. which will mature on December 1, 2022 and bears an annual interest rate of 5.00% in 2020 and 2019.

Interest earned on long-term investments amounting to ₱1.53 million and ₱3.06 million in 2020 and 2019, respectively.

Financial Investment at Fair Value through Other Comprehensive Income

This represents the Association's 10.60% ownership interest in CARD MRI Information Technology (CMIT), 1.77% ownership interest in CARD SME Bank (CSME) and 1.34% ownership interest in CARD MRI Property Management Inc. (CMPMI). As at December 31, 2020 and 2019, net unrealized gains in FVOCI investment of the association amounted to ₱14.55 million and ₱2.07 million, respectively.

Movements of the investment are as follows:

	2020	2019
Beginning balance	₱7,148,163	₱8,660,322
Mark-to-market fair value changes	12,481,622	(2,215,159)
Additional investment through issuance of share	60,013,384	-
Additional investment through issuance of share dividend	4,886,800	703,000
Ending balance	₱84,529,969	₱7,148,163

The movements in the unrealized gain on financial investment at FVOCI of the Association follow:

	2020	2019
Beginning balance	₱2,071,263	₱4,286,422
Mark-to-market fair value changes	12,481,622	(2,215,159)
Ending balance	₱14,552,885	₱2,071,263

The Association received dividends from CMIT amounting to ₱4.89 million and ₱1.98 million in 2020 and 2019, respectively.

8. **Receivables**

This account consists of:

	2020	2019
Receivables from students	₱14,532,052	₱16,174,683
Interest receivable	7,359,212	7,193,882
Receivables from trainees and participants	2,262,291	2,658,940
	24,153,555	26,027,505
Less allowance for credit losses	6,444,314	3,974,762
	₱17,709,241	₱22,052,743



	2020	2019
Current portion	P17,709,241	P18,994,410
Noncurrent portion	-	3,058,333
	P17,709,241	P22,052,743

Changes in the allowance for credit losses follow:

	2020	2019
Balance at beginning of year	P3,974,762	P1,320,117
Provision for credit losses	2,469,552	2,654,645
Balance at end of year	P6,444,314	P3,974,762

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

Interest receivable pertains to interest accrued from time deposit.

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

9. **Other Current Assets**

This account consists of:

	2020	2019
Financial assets		
Prepaid subscription	P19,069,759	P12,195,174
Non-financial assets		
Prepaid expenses	1,142,863	149,420
Supplies inventory	618,063	1,016,627
	P20,830,685	P13,361,221

As of December 31, 2020, prepaid subscription includes prepayment for the initial subscription of capital stock of PHINMA and CARD MRI Publishing House. As of December 31, 2019, prepaid subscription includes prepayment for the subscription on the increase of capital stock of CMIT.

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

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



10. Investment in Associates

This account consists of the following:

	2020	2019
Acquisition cost		
CARD MRI Publishing House, Inc. (CMPHI)		
Balance at beginning and end of year	₱100,000	₱100,000
CARD MRI Hijos Tours Inc. (CMHTI)		
Balance at beginning of year	399,995	100,000
Additional investment during the year	–	299,995
Balance at end of year	399,995	399,995
	499,995	499,995
Accumulated equity in net earnings (losses)		
Balance at beginning of year	435,281	275,998
Share in net income (loss) for the year	(30,184)	159,283
Dividends received	(100,598)	–
	304,499	435,281
	₱804,494	₱935,276

Details of the Association’s investments in associates follow:

	Nature of business	Place of business	Percentage of ownership	
			2020	2019
CMPHI	Publishing company	Philippines	20.00%	20.00%
CMHTI	Travel agency	Philippines	20.00%	20.00%

The table below illustrates the summarized financial information of associates:

	CMPHI		CMHTI	
	2020	2019	2020	2019
Current assets	₱8,814,808	₱3,244,554	₱2,104,007	₱2,982,207
Noncurrent assets	80,135	68,476	10,133	15,867
Current liabilities	692,314	870,230	316,117	337,692
Noncurrent liabilities	312,263	339,769	583,712	554,189

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

	CMPHI		CMHTI	
	2020	2019	2020	2019
Revenue	₱8,880,302	₱12,245,703	₱3,621,903	₱5,688,884
Cost of Sales	3,302,624	6,845,653	1,356,604	2,199,239
Gross Income	5,577,678	5,400,050	2,265,299	3,489,645
Cost and expenses	4,441,551	3,713,327	3,132,304	16,474
Operating income	1,136,127	1,686,723	(867,005)	3,506,119
Other income	7,848	(377,640)	349	3,264,416
Income before tax	1,143,975	1,309,083	(866,656)	241,703
Provision for income tax	378,459	508,871	51,071	245,190
Net Income after Tax	₱765,516	₱800,212	(₱917,727)	(₱3,487)



1.1. **Property and Equipment**

The compositions of and movements in this account follow:

	2020								Total
	Land	Land Improvement	Land Training and School Facilities	Equipment and Library Books	Transportation Equipment	Leasehold Improvement	Construction in Progress	Right of Use of Asset	
Cost									
Balance at beginning of year, as restated	₱98,543,562	₱9,468,818	₱169,110,647	₱35,575,420	₱1,367,500	₱1,949,016	₱13,865,814	₱10,798,474	₱340,679,251
Additions	1,715,917	818,678	571,751	1,854,293	-	-	8,687,732	3,439,801	17,088,172
Transfers	-	-	7,611,163	-	-	-	(7,611,163)	-	-
Disposals	-	-	-	-	-	-	-	(10,058,358)	-
Balance at end of year	100,259,479	10,287,496	177,293,561	37,429,713	1,367,500	1,949,016	14,942,383	4,179,917	347,709,065
Accumulated Depreciation and Amortization									
Balance at beginning of year	-	8,058,705	72,536,573	23,005,057	1,367,400	1,878,422	-	4,264,272	111,110,429
Depreciation and amortization	-	564,631	17,301,414	5,894,862	-	70,295	-	3,803,790	27,634,992
Balance at end of year	-	-	-	-	-	-	-	(5,796,737)	(5,796,737)
Net Book Value	₱-	₱8,623,336	₱89,837,987	₱28,899,919	₱1,367,400	₱1,948,717	₱-	₱2,271,325	₱132,948,684



		2019								
		Land	Land Improvement	Training Facilities	Equipment and Library Books	Transportation Equipment	Leasehold Improvement	Construction in Progress	Right of Use of Asset	Total
Cost										
Balance at beginning of year, as restated		P31,092,462	P9,392,658	P114,890,890	P25,171,574	P1,367,498	P1,949,016	P20,497,766	P5,363,350	P209,725,214
Additions		67,451,100	76,160	6,536,612	10,403,846	-	-	41,836,766	5,435,124	131,759,608
Transfers		-	-	47,663,145	-	-	-	(47,663,145)	-	-
Reversal to Other Assets		-	-	-	-	-	-	(805,573)	-	(805,573)
Balance at end of year		98,543,562	9,468,818	169,110,647	35,575,420	1,367,498	1,949,016	13,865,814	10,798,474	340,679,249
Accumulated Depreciation and Amortization										
Balance at beginning of year		-	7,090,992	57,099,692	18,038,469	1,367,400	1,667,984	-	-	85,264,537
Depreciation and amortization		-	967,713	15,436,881	4,966,588	-	210,438	-	4,264,272	25,845,892
Balance at end of year		-	8,058,705	72,536,573	23,005,057	1,367,400	1,878,422	-	4,264,272	111,110,429
Net Book Value		P98,543,562	P1,410,113	P96,574,074	P12,570,363	P98	P70,594	P13,865,814	P6,534,202	P229,568,820



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

	2020	2019
Cost of seminars, trainings and other programs (Note 14)	₱7,764,182	₱7,811,517
Senior high school expenses (Note 15)	10,015,068	8,486,376
Tertiary expenses (Note 16)	5,067,096	4,580,964
Administrative expenses	4,788,646	4,967,035
	₱27,634,992	₱25,845,892

Construction in progress represents the cost of under process development of establishments and improvements of facilities that are utilized by the Association and its branches. As of December 31, 2020, the constructions in progress pertain to the establishment of cookery/ training facility in Tagum campus started in August 2019 and renovations of facilities in Bay campus started in March 2020 and are estimated to complete in 2021. As of December 31, 2019, the constructions in progress pertain to the establishment of administrative building in Tagum campus started in December 2019 and renovations of facilities in Bay branch started in July 2019 and was completed in October 2020 and March 2020, respectively.

As of December 31, 2020 and 2019 the cost of fully depreciated property and equipment that are still in use amounted to ₱69.33 million and ₱61.62 million, respectively.

12. Software Costs

The movements in this account follow:

	2020	2019
Cost		
Balance at beginning of year	₱4,921,410	₱4,069,726
Additions	--	851,684
Balance at end of year	4,921,410	4,921,410
Accumulated Amortization		
Balance at beginning of year	1,680,572	802,941
Amortization	965,599	877,632
Balance at end of year	2,646,171	1,680,573
Net Book Value	₱2,275,239	₱3,240,837

The breakdown of amortization expense on software costs follows:

	2020	2019
Cost of seminars, trainings and other programs (Note 14)	₱710,418	₱679,615
Senior high school expenses (Note 15)	219,169	164,950
Tertiary expenses (Note 16)	36,012	33,067
Administrative Expenses	965,599	877,632
	₱710,418	₱679,615



13. Accounts Payable and Accrued Expenses

This account consists of:

	2020	2019
Financial liabilities		
Funds held in trust	₱92,308,843	₱131,993,070
Accounts payable	5,176,472	10,636,016
Accrued expenses	3,457,152	6,867,599
Unearned tuition fee	-	171,101
	100,942,467	149,667,786
Nonfinancial liabilities		
Withholding tax payable	136,025	487,025
	₱101,078,492	₱150,154,811

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

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

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

14. Cost of Seminars, Trainings and Other Programs

This account consists of:

	2020	2019
Compensation and employee benefits (Note 18)	₱20,540,514	₱22,815,123
Depreciation (Note 11)	7,764,182	7,811,517
Meals of trainees	7,134,148	48,684,814
Information technology	4,737,438	5,452,518
Room accommodation and function hall	4,294,547	29,860,019
Seminars, meetings and trainings	4,078,475	-
Transportation and travel	3,073,758	12,514,467
Janitorial, messengerial and security	2,566,340	5,245,078
Supplies and materials	2,555,693	4,510,859
Monitoring and evaluation	1,503,675	-
Amortization (Note 12)	710,418	679,615
Office rental (Note 17)	69,158	133,146
Others	4,304,076	10,438,654
	₱63,332,422	₱148,145,810

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



15. Senior High School Expenses

This account consists of:

	2020	2019
Depreciation (Note 11)	₱10,015,068	₱8,486,376
Compensation and employee benefits (Notes 18 and 19)	9,418,060	12,171,580
Janitorial, messengerial, security	1,191,782	1,740,520
Information technology	1,048,161	1,198,722
Supplies and materials	960,565	2,248,415
Staff training and development and meetings	683,709	4,972,889
Transportation and travel	338,538	3,215,641
Amortization (Note 12)	219,169	164,950
Library books	-	14,992
Others	2,118,137	3,565,532
	₱25,993,189	₱37,779,617

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

16. Tertiary Expenses

This account consists of:

	2020	2019
Compensation and employee benefits (Notes 18 and 19)	₱9,674,217	₱7,192,853
Depreciation (Note 11)	5,067,096	4,580,964
Food	2,049,626	-
Information technology	1,171,474	569,217
Janitorial, messengerial, security	1,108,051	1,577,435
Supplies and materials	979,849	2,053,928
Utilities	694,710	1,128,651
Staff training and development and meetings	605,317	3,088,829
Management and professional fees	595,946	786,619
Transportation and travel	470,119	3,618,805
Amortization (Note 12)	36,012	33,067
Others	1,560,484	2,297,505
	₱24,012,901	₱26,927,873

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



17. Leases

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

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

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

Security deposits booked as other noncurrent assets of the Association amounting to ₱3.40 million and ₱4.71 million as of December 31, 2020 and 2019, respectively.

The following are the amounts recognized in statement of income:

	2020	2019
Depreciation expense of right-of-use assets (Note 11)	₱3,803,790	₱4,264,272
Interest expense on lease liabilities	264,223	378,495
Expenses relating to short-term leases and low value assets	213,263	592,504
Total amount recognized in statement of income	₱4,281,276	₱5,235,271

The rollforward analysis of lease liabilities follows:

	2020	2019
Beginning balances	₱6,605,737	₱5,659,717
Additions	3,439,801	5,406,455
Interest expense	264,223	378,495
Payments	(4,094,101)	(4,838,930)
Derecognition of terminated contracts	(4,373,429)	-
Ending balances	₱1,842,231	₱6,605,737

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

	2020	2019
Within one year	₱1,556,103	₱3,854,605
Beyond one year	3,959,352	3,855,616



18. Retirement Benefits

The Association, CARD MRI Rizal Bank, Inc., CARD Association, Inc, CARD Mutual Benefit Association, Inc., CARD SME Bank, Inc., CARD MRI Insurance Agency, Inc., CARD Business Development Service Foundation, Inc., BotiCARD, Inc., CARD Employees Multi-Purpose Cooperative, Responsible for Investments and Solidarity Empowerment Financing Association, Inc., CARD MRI Information Technology, Inc., CARD, Inc., Mga Likha ni Inay, Inc. and other related parties maintain a funded and formal noncontributory defined benefit retirement plan – a multi-employer retirement plan (MERP or the Plan) – with CARD MERP covering all of their regular employees and CARD Group Employees’ Retirement Plan (New 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 MERP, the Association is also a participant to the CARD Group Employees’ Retirement Plan referred to as “New Plan” which provides a retirement benefit equal to 100% of the member’s employer accumulated value (the Association’s contributions of 8% plan salary to Fund A plus credited earnings) and 100% of the member’s employee accumulated value (member’s own contributions up to 10% of plan salary to Fund B plus credited earnings), if any, provided that in no case shall 100% of the employee accumulated value in Fund A be less than 100% of plan salary for every year of credited service.

The Association has 42 employees which are part of New Plan as at December 31, 2020 and 2019.

The date of the latest actuarial valuation report for MERP and New Plan is December 31, 2020. The amounts recognized in the statement of assets, liabilities and fund balance follow:

	2020	2019
Present value of defined benefit obligation	(₱28,611,891)	(₱27,268,901)
Fair value of plan assets	33,042,200	34,332,153
Effect of asset ceiling	(251,062)	(766,135)
Retirement asset	₱4,179,247	₱6,297,117

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

	2020	2019
Current service cost	₱2,104,353	₱1,016,776
Interest income on plan assets	(1,828,699)	(2,532,975)
Interest on the effect of asset ceiling	42,444	636,080
Interest expense on defined benefit obligation	1,510,697	1,041,473
Retirement expense	₱1,828,795	₱161,354



The movements in the net retirement asset follow:

	2020	2019
Balance at beginning of year	P6,297,117	P11,045,205
Contributions paid by employer	398,690	315,973
Net retirement expense	(1,828,795)	(161,354)
Remeasurement gain recognized during the year	(687,765)	(4,902,707)
Balance at end of year	P4,179,247	P6,297,117

The movements in the present value of pension obligation follow:

	2020	2019
Balance at beginning of year	P27,268,901	P13,525,619
Remeasurement loss (gain)	772,904	11,872,645
Current service cost	2,104,353	1,016,776
Interest cost	1510,697	1,041,473
Benefits paid	(3,441,716)	(187,612)
Transfers to the plan	396,752	-
Balance at end of year	P28,611,891	P27,268,901

The movements in the fair value of plan assets follow:

	2020	2019
Balance at beginning of year	P34,332,153	P32,831,605
Interest income	1,828,699	2,532,975
Remeasurement loss	(472,378)	(1,160,788)
Contributions paid by employer	398,690	315,973
Benefits paid	(3,441,716)	(187,612)
PVO transfer	-	-
Balance at end of year	P33,042,200	P34,332,153

Remeasurement gain on retirement plan follows:

	2020	2019
Beginning balance	P5,710,163	P10,612,870
Actuarial gain	(772,904)	(11,872,645)
Remeasurement gain on plan assets	(472,378)	(1,160,788)
Effect of asset ceiling	557,517	8,130,726
	(687,765)	(4,902,707)
Ending balance	P5,022,398	P5,710,163

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

	2020	2019
Cash and cash equivalents	P15,291,930	P27,809,044
Debt instruments - government securities	13,563,823	343,322
Loan receivables	-	4,119,858
Other assets	4,186,447	2,059,929
	P33,042,200	P34,332,153



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

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

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

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

	2020	2019
Discount rates		
January 1	5.54%	7.70%
December 31	3.83%	5.54%
Future salary increases	3.00%	5.00%

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

	2019		2019	
	+1.0%	+1.0%	+1.0%	-1.0%
Discount rate	(P2,970,592)	P3,516,031	(P2,808,772)	P1,526,894
Salary rate	3,509,778	(3,019,551)	3,305,680	(1,349,017)

The Association plans to contribute P3.60 million to the defined benefit retirement plan in 2021. As at December 31, 2020, the average duration of defined benefit obligations is 11.3 years.

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

	2019	2019
Less than 1 year	P2,120,454	P1,774,574
More than 1 year to 5 years	7,172,663	7,310,152
More than 5 years to 10 years	13,755,222	13,777,512
More than 10 years to 20 years	36,230,791	37,132,000
More than 20 years to 30 years	39,877,721	51,401,763
	P99,156,851	P111,396,001



19. Related Party Transactions

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

Transactions with retirement plans

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

Remunerations of Trustees and other Key Management Personnel

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

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

	2020	2019
Short-term employee benefits	P12,525,060	P9,384,635
Post-employment benefits	-	-
	P12,525,060	P9,384,635

Other related party transactions

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

Related party transactions and balances as at and for the years ended December 31, 2020 and 2019 are as follows:

Category	December 31, 2020		Nature, Terms and Conditions
	Amount/ Volume	Outstanding Balance	
Other related parties			
Investment in associate		P805,494	Investments in CMPHI and CMHTI with 20.00% ownership each.
Share in net loss	(30,185)		Loss derived from the Association's investment in associate
Dividend	100,597		Dividend received from the Association's investment in associate



December 31, 2019			
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Other related parties			
Investment in associate		₱935,276	Investments in CMPHI and CMHTI with 20.00% ownership each.
Additions	₱299,995		This represents the additions in investment in associate through reversal of deposit from stock subscription
Share in net income	159,282		Income derived from the Association's investment in associate

20. Notes to Statements of Cash Flows

The following are the activities of the Company that affect recognized assets and liabilities but do not result in cash payments in 2020 and 2019:

	2020	2019
Non-cash investing activities:		
Additions to property and equipment through lease contracts (Note 11)	₱3,439,801	₱5,435,124
Acquisitions of property and equipment on account	-	4,910,714
Reversal to other assets (Note 11)	-	(805,573)
Additions through reversal of deposit from stock subscription (Note 10)	-	299,995
	₱3,439,801	₱9,840,260

The following table shows the reconciliation analysis of liabilities arising from financing activities for the year ended December 31, 2020 and 2019:

	2020		Liabilities arising from financing activities
	Fund held in trust	Lease liabilities	
Balances at beginning of year	₱131,993,070	₱6,605,737	₱138,598,807
Cash inflows	21,003,991	-	21,003,991
Cash outflows	-	(4,094,101)	(4,094,101)
Non-cash activities			
Income recognized from reversal of funds held in trust	(60,688,218)	-	(60,688,218)
New lease contracts entered during the year (Note 18)	-	3,439,801	3,439,801
Amortization on interest expenses (Note 18)	-	264,223	264,223
Derecognition from terminated contracts	-	(4,373,429)	(4,373,429)
Balances at end of year	₱92,308,843	₱1,842,231	₱98,524,503



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

21. Events After the Reporting Date

Because of the Coronavirus Disease 2019 (COVID-19) pandemic, the Association is exposed to a number of trends and uncertainties which can affect its revenues and expenses. This include levels of general economic activity and its effect on the disposal income of households in the Philippines.

Various levels of community quarantine throughout the country have caused disruptions to businesses and economic activities, and its impact on the businesses continue to evolve.

The scale and duration of these developments continue to be uncertain as of the report date. In 2020, the Association observed declines in its revenues because of disruptions brought by the pandemic. However, it is not possible to estimate the possible impact of the pandemic's near-term and long-term effects. The Association has incurred and will continue to incur costs as it continues to mitigate the adverse effects of the pandemic on its operations. The pandemic could have a material impact on the Association's financial results for the rest of 2021 and even periods thereafter. However, the Association considers the events surrounding the outbreak as non-adjusting subsequent events, which do not impact its financial position and performance as of and for the year ended December 31, 2020. Considering the evolving nature of this outbreak, the Association cannot determine at this time the impact to its financial position, performance and cash flows. The Association will continue to monitor the situation.

22. Approval of the Release of the Financial Statements

The Association's financial statements of the Association were authorized for issue by the BOT on May 31, 2021.



23. Supplementary Information under RR 15-2010

The Association reported and/or paid the following types of taxes in 2020:

Taxes and Licenses

Taxes and licenses in 2020 recorded as 'Taxes and licenses' in the statements of revenue and expenses and changes in fund balance consist of:

Real property tax	₱1,066,834
Documentary stamp tax	–
Business permits and licenses	195,158
Community tax certificate	5,473
Annual registration	500
Others	363,730
	<u>₱1,631,695</u>

Withholding Taxes

The following withholding taxes are categorized into:

	Paid	Payable
Withholding tax on compensation	₱655,055	₱160,558
Expanded withholding tax	1,430,923	326,466
	<u>₱2,085,978</u>	<u>₱487,025</u>

Tax Assessments

As at December 31, 2020 and December 31, 2019, there are no outstanding tax assessments and tax cases under investigations, litigations nor prosecution in courts or bodies outside the BIR.





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