CARD-MRI Development Institute, Inc.

(A Non-stock, Not-for-profit Association)

Audited Financial Statements
December 31, 2023 and 2022

and

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
CARD-MRI Development Institute, Inc.
(A Non-stock, 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 Non-stock, Not-for-profit Association) (the Association), which comprise the statements of assets, liabilities and fund balance as at December 31, 2023 and 2022, and the statements of revenue and expenses, 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 material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial condition of the Association as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Framework (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 and 34-2020

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 and 34-2020 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.

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PTR No. 10079899, January 5, 2024, Makati City

April 25, 2024

CARD-MRI DEVELOPMENT INSTITUTE, INC.
(A Non-stock, Not-for-profit Association)

STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE

	December 31	
	2023	2022
ASSETS		
Current Assets		
Cash in banks (Note 6)	**₱42,163,197**	₱79,095,720
Financial assets at amortized cost (Note 7)	**426,750,741**	416,424,328
Receivables (Note 8)	**30,308,161**	20,976,752
Other current assets (Note 9)	**17,948,195**	13,707,793
	517,170,294	530,204,593
Non-current Assets		
Financial assets at fair value through other comprehensive income (FVOCI) (Note 7)	**169,004,658**	129,442,044
Financial assets at amortized cost (Note 7)	**44,886,903**	–
Investment in associates (Notes 10 and 19)	**3,730,659**	2,775,009
Property and equipment (Note 11)	**380,204,612**	213,174,553
Software costs (Note 12)	**51,115**	584,537
Retirement asset (Note 18)	**7,766,984**	7,442,154
Other non-current assets (Note 17)	**430,418**	1,494,605
	606,075,349	354,912,902
TOTAL ASSETS	**₱1,123,245,643**	₱885,117,495
LIABILITIES AND FUND BALANCE		
Current Liabilities		
Accounts payable and accrued expenses (Note 13)	**₱26,474,136**	₱9,210,291
Lease liabilities (Note 17)	**742,866**	928,978
	27,217,002	10,139,269
Non-current Liabilities		
Fund held in trust (Note 13)	**253,584,811**	232,560,297
Lease liabilities (Note 17)	**113,096**	90,726
	253,697,907	232,651,023
	280,914,909	242,790,292
Fund Balance		
General fund (Note 2)	**680,849,059**	527,083,766
Restricted fund (Note 2)	**101,065,856**	84,759,848
Remeasurement gain (loss) on retirement plan (Note 18)	**(2,548,465)**	3,959,919
Net unrealized gains on financial assets at FVOCI Note 7)	**62,964,284**	26,523,670
	842,330,734	642,327,203
TOTAL LIABILITIES AND FUND BALANCE	**₱1,123,245,643**	₱885,117,495

See accompanying Notes to Financial Statements.

CARD-MRI DEVELOPMENT INSTITUTE, INC.
(A Non-stock, Not-for-profit Association)

STATEMENTS OF REVENUE AND EXPENSES

	Years Ended December 31	
	2023	2022
REVENUE		
Registration fees	**₱203,349,170**	₱122,636,764
Tertiary tuition and other school fees	**52,492,046**	42,376,736
Senior high tuition and other school fees	**13,132,065**	14,592,955
	268,973,281	179,606,455
COST OF SERVICES		
Cost of registration fees (Note 14)	**79,061,262**	54,099,518
Tertiary expenses (Note 16)	**60,630,077**	40,199,220
Senior high school expenses (Note 15)	**18,893,570**	14,396,904
	158,584,909	108,695,642
GROSS REVENUE	**110,388,372**	70,910,813
OTHER INCOME		
Donations and contributions	**26,200,000**	538,109
Dividend income (Note 7)	**25,563,918**	17,537,367
Other school fees	**19,839,485**	819,281
Interest income (Notes 6 and 7)	**14,146,160**	7,347,135
Share in net income of associates (Note 10)	**301,667**	940,240
	86,051,230	27,182,132
	196,439,602	98,092,945
ADMINISTRATIVE EXPENSES		
Compensation and employee benefits	**15,877,547**	13,247,382
Retirement expense (Note 18)	**1,338,620**	2,441,633
Taxes and licenses	**1,141,948**	1,066,290
Transportation and travel	**1,079,856**	1,100,667
Management and professional fees	**1,033,600**	1,484,600
Supplies and materials	**697,013**	672,838
Information technology	**608,743**	767,668
Depreciation expense (Note 11)	**600,083**	778,971
Staff training and development	**566,198**	152,991
Program monitoring and meetings	**538,823**	565,951
Janitorial, messengerial and security	**190,713**	278,985
Insurance expense	**144,641**	298,178
Operating lease (Note 17)	**93,274**	164,354
Provision for credit losses (Note 8)	**42,052**	8,034,647
Interest expense on lease liabilities (Note 17)	**3,000**	5,645
Others	**2,412,190**	873,452
	26,368,301	31,934,252
EXCESS OF REVENUE OVER EXPENSES	**₱170,071,301**	₱66,158,693

See accompanying Notes to Financial Statements.

CARD-MRI DEVELOPMENT INSTITUTE, INC.
(A Non-stock, Not-for-profit Association)

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2023	2022
EXCESS OF REVENUE OVER EXPENSES	**₱170,071,301**	₱66,158,693
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive income (loss) not recycled to profit or loss in subsequent periods		
Change in net unrealized gain on financial assets at other comprehensive income (Note 7)	**36,440,614**	11,188,538
Change in remeasurement gain (loss) on retirement plan (Note 18)	**(6,508,384)**	2,870,735
	29,932,230	14,059,273
TOTAL COMPREHENSIVE INCOME	**₱200,003,531**	₱80,217,966

See accompanying Notes to Financial Statements.

CARD-MRI DEVELOPMENT INSTITUTE, INC.
(A Non-stock, 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, 2023	**₱527,083,766**	**₱84,759,848**	**₱3,959,919**	**₱26,523,670**	**₱642,327,203**
Total comprehensive income for the year	**170,071,301**	**–**	**(6,508,384)**	**36,440,614**	**200,003,531**
Appropriations during the year	**(34,014,260)**	**34,014,260**	**–**	**–**	**–**
Utilization during the year	**17,708,252**	**(17,708,252)**	**–**	**–**	**–**
Balances at December 31, 2023	**₱680,849,059**	**₱101,065,856**	**(₱2,548,465)**	**₱62,964,284**	**₱842,330,734**
Balances at January 1, 2022	₱474,156,812	₱71,528,109	₱1,089,184	₱15,335,132	₱562,109,237
Total comprehensive income for the year	66,158,693	–	2,870,735	11,188,538	80,217,966
Appropriations during the year	(13,231,739)	13,231,739	–	–	–
Balances at December 31, 2022	₱527,083,766	₱84,759,848	₱3,959,919	₱26,523,670	₱642,327,203

See accompanying Notes to Financial Statements.

CARD-MRI DEVELOPMENT INSTITUTE, INC.
(A Non-stock, Not-for-profit Association)

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses	**₱170,071,301**	₱66,158,693
Adjustments for:		
Income recognized from funds held in trust (Note 13)	**(95,799,303)**	(85,724,096)
Interest income (Notes 6 and 7)	**(14,146,160)**	(7,347,135)
Depreciation and amortization expense (Notes 11 and 12)	**9,951,904**	12,848,784
Dividend income (Note 7)	**(1,832,800)**	(7,816,900)
Net retirement expense (Note 18)	**1,338,620**	2,441,633
Interest expense	**528,738**	52,721
Share in net income of associates (Note 10)	**(301,667)**	(940,239)
Gain on disposal of fixed assets	**(253,900)**	–
Provision for credit losses (Note 8)	**42,052**	8,034,647
Operating income (loss) before working capital changes	**69,598,785**	(12,291,892)
Changes in operating assets and liabilities:		
Increase in the amounts of:		
Receivables	**(8,913,071)**	(9,600,117)
Other assets (Note 17)	**(3,176,215)**	(1,046,247)
Increase (decrease) in the amounts of:		
Accounts payable and accrued expenses	**17,263,845**	(10,290,497)
Net cash generated from (used in) operations	**74,773,344**	(33,228,753)
Interest received	**13,685,770**	15,422,191
Contributions to retirement fund (Note 18)	**(8,171,834)**	(4,500,095)
Interest paid	**(490,953)**	(2,803)
Net cash provided by (used in) operating activities	**79,796,327**	(22,309,460)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Financial assets at amortized cost (Note 7)	**(2,846,469,282)**	(1,648,703,482)
Property and equipment (Notes 11 and 20)	**(175,470,093)**	(19,250,022)
Financial assets at FVOCI (Note 7)	**(1,289,200)**	(7,519,990)
Investment in associates (Note 10)	**(997,980)**	(400,000)
Proceeds from:		
Maturities of financial assets at amortized cost (Note 7)	**2,791,255,966**	1,458,546,712
Dividends received from investment in associates (Note 10)	**343,997**	–
Disposal of transportation equipment	**253,900**	–
Net cash used in investing activities	**(232,372,692)**	(217,326,782)
CASH FLOWS FROM FINANCING ACTIVITY		
Receipt of funds held in trust (Note 20)	**116,823,817**	235,029,843
Payments on finance lease (Note 17)	**(1,179,975)**	(987,374)
Net cash provided by financing activities	**115,643,842**	234,042,469
NET INCREASE (DECREASE) IN CASH IN BANKS	**(36,932,523)**	(5,593,773)
CASH IN BANKS AT BEGINNING OF YEAR	**79,095,720**	84,689,493
CASH IN BANKS AT END OF YEAR (Note 6)	**₱42,163,197**	₱79,095,720

See accompanying Notes to Financial Statements.

1. General Information

CARD-MRI Development Institute, Inc. (the Association) is a non-stock, 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 a 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, and Home Economics strand in June 2019.

Being a non-stock 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 December 7, 2022 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. Material Accounting Policy Information

Basis of Preparation
The accompanying financial statements have been prepared on a historical cost basis, except for financial assets at fair value 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 (PFRSs).

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2023. The Association has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new amendments did not have an impact on the financial statements of the Association.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

  - Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

  The amendments to the Practice Statement provide non-mandatory guidance.

- Amendments to PAS 8, *Definition of Accounting Estimates*

  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

  The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

- Amendments to PAS 12, *International Tax Reform – Pillar Two Model Rules*

  The amendments introduce a mandatory exception in PAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes.

  The amendments also clarify that PAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development (OECD), including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as 'Pillar Two legislation' and 'Pillar Two income taxes', respectively.

  The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception, apply immediately and retrospectively upon adoption of the amendments in June 2023.

Meanwhile, the disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after January 1, 2023.

Material Accounting Policies

Current versus Non-current Classification
The Association presents assets and liabilities in the statements of assets, liabilities and fund balance based on current/non-current 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 non-current.

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 non-current.

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).

<u>Financial Instruments - Initial Recognition and Subsequent Measurement</u>
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, 2023 and 2022.

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 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 assets at amortized cost, receivables, and prepaid subscription under 'other current assets'.

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

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

Long-term investments
Long-term investments under 'Financial assets at amortized cost' represent time deposits with tenor of more than twelve (12) months from date of acquisition to date of maturity.

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 ermitted if the equity investment is held by the Association for trading. The Association has designated its unquoted equity instruments as at FVOCI 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 unrealized gains on financial assets of FVOCI 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 statement of revenue and expenses 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 revenue and expense.

Impairment of Financial Assets

The Association recognizes an allowance for expected credit losses (ECL) 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.

Investment 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	10
Training facilities	5 to 25
Office furniture, fixtures, equipment and transportation equipment	5 to 7
Library books	3
Leasehold improvement	10 or lease term, 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 statement 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 Non-financial 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.

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

Restricted funds
The Association's BOT has restricted twenty percent of the total revenue and expenses as follows: two (2.00%) for scholarships, three (3.00%) for information technology development and fifteen (15.00%) 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.

<u>Revenue Recognition</u>
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:

Registration fees
Registration 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 BOT, and as a liability, if received from other than a member of BOT. 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. Right-of use assets are presented under ‘Property and equipment’ in the statement of assets, liabilities and fund balance.

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. 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.

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 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 infund balance, net of any reimbursement.

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

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

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

Standards Issued but not yet Effective
Pronouncements issued but not yet effective are listed below. The Association intends to adopt the following pronouncements when they become effective. The Association does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements.

Effective beginning on or after January 1, 2024
- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*
- Amendments to PAS 7 and PFRS 7, *Disclosures: Supplier Finance Arrangements*

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*
- Amendments to PAS 21*, Lack of Exchangeability*

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.

Judgments
As of December 31, 2023 and 2022, there were no material accounting areas where management exercised judgment in respect to the amounts recognized in the financial statements.

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 adjusts the historical credit loss experience with forward-looking information, if any. For instance, if forecast economic conditions (i.e., OFW remittance) 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, 2023 and 2022 are disclosed in Note 8.

(b) *Present value of retirement cost*
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, 2023 and 2022, the carrying values of retirement asset of the Association are disclosed in Note 18.

4. Fair Value Measurement

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

Cash in banks, receivables, prepaid subscription, and accounts payable and accrued expenses
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.

Financial assets at FVOCI
The fair value of unquoted equity securities is estimated based on the fair value of the net assets of investee companies and the capital asset pricing model.

Financial assets at amortized cost
The fair value of investments at amortized cost is measured at the discounted value of future cash flows using the applicable rates. The discount rates used ranged from 1.75% to 5.98% in 2023 and from 1.00% to 5.00% in 2022.

Funds held in trust
The carrying amount of funds held in trust approximate its carrying 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:

	Carrying value	**Fair value measurement using significant unobservable inputs (Level 3)**
2023		
Financial assets measured at fair value:		
Financial assets at FVOCI	**₱169,004,658**	**₱169,004,658**
Assets for which fair values are disclosed:		
Financial assets at amortized cost	**471,637,644**	**471,755,214**
2022		
Financial assets measured at fair value:		
Financial assets at FVOCI	₱129,442,044	₱129,442,044
Assets for which fair values are disclosed:		
Financial assets at amortized cost	416,424,328	415,050,128

Reconciliation of fair value measurements of Level 3 financial instruments
The Associate carries financial assets at FVOCI classified as Level 3 within the fair value hierarchy. The reconciliation from the opening balances to the closing balances of financial assets at FVOCI is disclosed in Note 7.

Impact on fair value of level 3 financial instruments measured at fair value of changes to key assumptions
Description of significant unobservable inputs to valuation of financial assets at FVOCI under Level 3 of their fair value category follows:

Valuation Technique	Investment	Significant Unobservable Input	Inputs 2023	Inputs 2022
Adjusted net asset	Matapat Holdings	Book value per share	**₱9.85/share**	₱9.83/share
Adjusted net asset	CMPMI	Book value per share	**₱118.87/share**	₱126.51/share
Adjusted net asset	CMIT	Book value per share	**₱152.30/share**	₱144.22/share
Capital asset pricing model	CSME	Cost of equity	**12.40%**	12.05%

Adjusted net asset value
The Association estimates the fair value of the unquoted equity securities using the adjusted net asset value approach. Below shows the sensitivity of the valuation to various changes in assumption:

Fair value of financial assets at FVOCI	₱94,412,993
Alternative scenarios:	
Increase/decrease in book in value per share:	
+10.00%	9,441,299
-10.00%	(9,441,299)

Capital asset pricing model
The Company estimates the fair value of the unquoted equity securities using the capital asset pricing model. Below shows the sensitivity of the valuation to various changes in assumption:

Fair value of financial assets at FVOCI	₱74,591,665
Alternative scenarios:	
Increase/decrease in cost of equity:	
+100 basis points	(11,699,381)
-100 basis points	15,547,460

The use of reasonably possible alternative assumptions in the significant unobservable inputs will affect the fair value of the unquoted equity securities and the OCI (before tax) as presented above.

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 CARD MRI's 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 receivable from these counterparties will be substantially collected on the 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, 2023 and 2022.

Credit concentration
Concentration arises 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, 2023 and 2022, the Association's cash in banks and receivables are concentrated to financial intermediaries and customers, respectively.

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

High grade - These are 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 30 days past due, and based on change in rating, delinquencies and payment history, do not demonstrate significant increase in credit risk.

Stage 2 – is comprised of all non-impaired financial instruments which have experienced a significant increase in credit risk since initial recognition and those that, based on change in rating, delinquencies and payment history, demonstrate significant increase in credit risk, and/or are more than 30 days up to 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 financial assets as at December 31, 2023 and 2022:

	2023				
	Cash in banks	**Financial assets at amortized cost**	**Receivables**	**Prepaid subscription**	**Total**
Neither past due nor impaired					
High grade	**₱42,163,197**	**₱471,637,644**	**₱829,962**	**₱15,779,188**	**₱530,409,991**
Standard grade	**–**	**–**	**18,719,285**	**–**	**18,719,285**
Past due but not impaired	**–**	**–**	**–**	**–**	**–**
Past due and impaired	**–**	**–**	**28,000,789**	**–**	**28,000,789**
Gross carrying amount	**₱42,163,197**	**₱471,637,644**	**₱47,550,036**	**₱15,779,188**	**₱577,130,065**

	2022				
	Cash in banks	Financial assets at amortized cost	Receivables	Prepaid subscription	Total
Neither past due nor impaired					
High grade	₱79,095,720	₱471,637,644	₱1,847,422	₱13,140,388	₱565,721,174
Standard grade	–	–	20,114,279	–	20,114,279
Past due but not impaired	–	–	–	–	–
Past due and impaired	–	–	15,723,980	–	15,723,980
Gross carrying amount	₱79,095,720	₱471,637,644	₱37,685,681	₱13,140,388	₱601,559,433

As at December 31, 2023 and 2022, the 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 sin 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, 2023 and 2022:

	2023			
	On Demand	**Within 1 Year**	**More than 1 Year**	**Total**
Cash and cash equivalents	**₱42,163,197**	**₱–**	**₱–**	**₱42,163,197**
Financial assets at amortized cost*	**–**	**428,346,214**	**44,886,903**	**473,233,117**
Financial assets at FVOCI	**–**	**–**	**169,004,658**	**169,004,658**
Receivables				
Students	**41,624,86**	**–**	**–**	**41,624,86**
Interest receivable	**4,480,027**	**–**	**–**	**4,480,027**
Trainees and participants	**1,445,148**	**–**	**–**	**1,445,148**
Prepaid subscription	**15,779,188**	**–**	**–**	**15,779,188**
	105,492,420	**428,346,214**	**213,891,561**	**747,730,195**

(Forward)

	2023			
	On Demand	**Within 1 Year**	**More than 1 Year**	**Total**
Accounts payable and accrued expenses				
Funds held in trust	**₱–**	**₱–**	**₱253,584,811**	**₱253,584,811**
Accounts payable	**18,058,828**	**–**	**–**	**18,058,828**
Accrued expenses	**4,135,088**	**–**	**–**	**4,135,088**
Lease liabilities*	**–**	**775,882**	**114,068**	**889,950**
	22,193,916	**775,882**	**253,698,879**	**276,668,677**
	₱83,298,504	**₱354,715,780**	**₱33,047,234**	**₱471,061,518**

**includes future interest*

	2022			
	On Demand	Within 1 Year	More than 1 Year	Total
Cash and cash equivalents	₱79,095,720	₱–	₱–	₱79,095,720
Financial assets at amortized cost*	–	417,559,410	–	417,559,410
Financial assets at FVOCI	–	–	129,442,044	129,442,044
Receivables				
Students	35,051,386	–	–	35,051,386
Interest receivable	1,135,082	–	–	1,135,082
Trainees and participants	1,499,213	–	–	1,499,213
Prepaid subscription	13,140,388	–	–	13,140,388
	129,921,789	417,559,410	129,442,044	676,923,243
Accounts payable and accrued expenses				
Funds held in trust	–	–	232,560,297	232,560,297
Accounts payable	1,108,833	–	–	1,108,833
Accrued expenses	3,810,478	–	–	3,810,478
Lease liabilities*	–	951,838	91,475	1,043,313
	4,919,311	951,838	232,651,772	238,522,921
	₱125,002,478	₱416,607,572	(₱103,209,728)	₱438,400,322

**includes future interest*

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 sensitivity to a reasonably possible change in 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 assets at FVOCI is disclosed in Note 5.

6. Cash in Banks

This account consists of:

	2023	2022
Demand deposits	**₱22,882,265**	₱27,450,959
Savings deposits	**19,280,932**	51,644,761
	₱42,163,197	₱79,095,720

Cash in banks represent peso-denominated current and savings accounts which earn interest at an annual rate ranging from 0.03% to 1.00% in 2023 and from 0.03% to 0.50% in 2022.

In 2023 and 2022, cash in banks earned interest amounting to ₱0.21 million and ₱0.26 million, respectively.

7. Investment Securities

Financial Assets at Amortized Cost

Financial assets at amortized cost represent short-term investments in peso-denominated time deposits with maturities ranging from ten (10) days to one (1) year, and with annual interest rates ranging from 1.75% to 5.20% in 2023 and from 1.50% to 5.00% in 2022.

These also include treasury bills with maturities of one (1) year to five (5) years, and with annual effective interest rates ranging from 5.92% to 10.91%. As at December 31, 2023, these treasury bills amounted to ₱117.74 million.

	2023	2022
Financial assets at amortized cost	**₱471,637,644**	₱416,424,328
Less: current portion	**426,750,741**	416,424,328
Non-current portion	**₱44,886,903**	₱–

Interest earned on financial assets at amortized cost amounting to ₱13.94 million and ₱7.09 million in 2023 and 2022, respectively.

Financial Assets at FVOCI

This represents the Association's ownership interest in the following entities:

	2023	2022
CARD MRI Information Technology, Inc. (CMIT)	**10.87%**	10.93%
CARD SME Bank, Inc. (CSME)	**2.07%**	2.13%
CARD MRI Property Management, Inc. (CMPMI).	**0.99%**	1.36%
Matapat Holdings, Inc.	**2.92%**	2.92%

The movements in the investments follow:

	2023	2022
Beginning balance	**₱129,442,044**	₱102,916,616
Fair value changes	**36,440,614**	11,188,538
Additional subscriptions during the period	**1,289,200**	7,519,990
Additional investment through issuance of share dividend	**1,832,800**	7,816,900
Ending balance	**₱169,004,658**	₱129,442,044

The movements in the net unrealized gains on financial assets at FVOCI of the Association follow:

	2023	2022
Beginning balance	**₱26,523,670**	₱15,335,132
Mark-to-market fair value changes	**36,440,614**	11,188,538
Ending balance	**₱62,964,284**	₱26,523,670

In 2023 and 2022, the Association received stock dividends amounting to ₱1.83 million and ₱7.82 million, respectively.

In 2023 and 2022, the Association received cash dividends amounting to ₱22.88 million and ₱9.72 million, respectively.

8. Receivables

This account consists of:

	2023	2022
Receivables from students	**₱41,624,861**	₱35,051,386
Interest receivable	**4,480,027**	1,135,082
Receivables from trainees and participants (Note 19)	**1,445,148**	1,499,213
	47,550,036	37,685,681
Allowance for credit losses	**(17,241,875)**	(16,708,929)
	₱30,308,161	₱20,976,752

Receivables from students pertain to tuition fees from their tertiary and senior high school students which are already rendered by the Association. The receivables are non-interest-bearing and paid in installments.

Interest receivable pertains to interest accrued from financial assets at amortized cost.

Receivables from trainees and participants are those attributed to CARD-MRI entities and non-CARD-MRI entities which pertain to registration fees. The receivable from trainees and participants are payable upon demand.

Changes in the allowance for credit losses follow:

	2023	2022
Balance at beginning of year	**₱16,708,929**	₱8,674,282
Provision for credit losses	**532,946**	8,034,647
Balance at end of year	**₱17,241,875**	₱16,708,929

9. Other Current Assets

This account consists of:

	2023	2022
Prepaid subscription (Note 19)	**₱15,779,188**	₱13,140,388
Prepaid expenses	**1,829,887**	162,138
Supplies inventory	**339,120**	405,267
	₱17,948,195	₱13,707,793

Prepaid subscription includes prepayment for the initial subscription of capital stock of PHINMA Corporation and CARD SME Bank, Inc.

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

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

10. Investment in Associates

Details of the Association's investment in associates follow:

	Nature of business	Place of business	Percentage of ownership 2023	2022
CARD MRI Publishing House, Inc. (CMPHI)	Publishing company	Philippines	**15.22%**	20.00%
CARD MRI Hijos Tours Inc. (CMHTI)	Travel agency	Philippines	**18.38%**	20.00%

Below is the rollforward of investment in associate account using the equity method of accounting:

	2023	2022
Acquisition cost		
Balance at beginning and end of year		
CMPHI	**₱500,000**	₱100,000
CMHTI	**399,995**	399,995
Additional investment during the year		
CMPHI	**479,985**	400,000
CMHTI	**517,995**	–
Balance at beginning and end of year		
CMPHI	**979,985**	500,000
CMHTI	**917,990**	399,995
Total acquisition cost	**1,897,975**	899,995
Accumulated equity in net earnings		
Balance at beginning of year		
CMPHI	**1,260,127**	875,105
CMHTI	**614,887**	59,669
Share in net income for the year		
CMPHI	**94,261**	385,022
CMHTI	**207,406**	555,218
Dividends received for the year		
CMPHI	**(223,998)**	–
CMHTI	**(119,999)**	–
Balance at the end of the year		
CMPHI	**1,130,390**	1,260,127
CMHTI	**702,294**	614,887
Total accumulated net earnings	**1,832,684**	1,875,014
	₱3,730,659	₱2,775,009

The following table illustrates the summarized financial information in the statements of financial position and statements of income of investment in CMPHI and CMHTI:

	CMPHI		**CMHTI**	
	2023	2022	**2023**	2022
Statement of Financial Position				
Current assets	**₱8,403,468**	₱7,417,455	**₱6,176,652**	₱4,912,960
Non-current assets	**873,046**	976,514	**839,486**	688,384
Current liabilities	**729,128**	497,797	**816,344**	490,271
Non-current liabilities	**–**	–	**–**	–
Statement of Comprehensive Income				
Revenue	**24,389,167**	21,110,428	**14,422,892**	9,593,620
Cost of sales	**10,110,524**	10,040,446	**2,999,002**	2,075,598
Gross income	**14,278,643**	11,069,982	**11,423,890**	7,518,022
Cost and expenses	**13,281,163**	9,212,471	**9,603,637**	5,246,302
Operating income	**997,480**	1,857,511	**1,820,253**	2,271,720
Other income	**(143,852)**	495,172	**(314,947)**	79,558
Income before tax	**853,628**	2,352,683	**1,505,306**	2,351,278
Provision for income tax	**234,308**	420,222	**376,871**	434,547
Net income	**₱619,320**	₱1,932,461	**₱1,128435**	₱1,916,731

CMPHI and CMHTI are private companies and there are no quoted market prices available for their shares.

As of December 31, 2023, the Association received stock dividends amounting to ₱0.85 million.

As of December 31, 2023 and 2022, there were no agreements entered into by the associates that may restrict dividends and other capital distributions to be paid, or loans and advances to be made or repaid to or from the Association.

As of December 31, 2023 and 2022, accumulated equity in net earnings amounting to ₱1.83 million and ₱1.88 million respectively, is not available for dividend declaration. The accumulated equity in net earnings becomes available for dividends upon declaration and receipt of cash dividends from the investees.

As of December 31, 2023 and 2022, the Association has no share on commitments and contingencies of its associates.

11. **Property and Equipment**

The compositions of and movements in this account follow:

	2023								
	Land	Land Improvement	Training and School Facilities	Office Furniture, Fixtures, Equipment and Library Books	Transportation Equipment	Leasehold Improvement	Construction in Progress	Right-of-use Asset	Total
Cost									
Balance at beginning of year	**₱108,178,966**	**₱16,342,461**	**₱191,396,593**	**₱43,672,504**	**₱1,367,500**	**₱1,949,016**	**₱13,122,560**	**₱11,220,824**	**₱387,250,424**
Additions	**90,036,964**	**1,206,720**	**10,296,315**	**10,051,083**	–	–	**63,879,011**	**978,448**	**176,448,541**
Transfers	–	**860,480**	**41,361,613**	**257,858**	–	–	**(42,479,951)**	–	–
Disposals	–	–	–	–	**(1,367,500)**	–	–	–	**(1,367,500)**
Balance at end of year	**198,215,930**	**18,409,661**	**243,054,521**	**53,981,445**	–	**1,949,016**	**34,521,620**	**12,199,272**	**562,331,465**
Accumulated Depreciation and Amortization									
Balance at beginning of year	–	**10,321,163**	**113,725,310**	**36,495,642**	**1,367,400**	**1,948,716**	–	**10,217,640**	**174,075,871**
Depreciation and amortization	–	**492,859**	**4,562,586**	**3,230,420**	**100**	–	–	**1,132,517**	**9,418,482**
Disposals	–	–	–	–	**(1,367,500)**	–	–	–	**(1,367,500)**
Balance at end of year	–	**10,814,022**	**118,287,896**	**39,726,062**	–	**1,948,716**	–	**11,350,157**	**182,126,853**
Net Book Value	**₱198,215,930**	**₱7,595,639**	**₱124,766,625**	**₱14,255,383**	**₱–**	**₱300**	**₱34,521,620**	**₱849,115**	**₱380,204,612**

	2022								
	Land	Land Improvement	Training and School Facilities	Office Furniture, Fixtures, Equipment and Library Books	Transportation Equipment	Leasehold Improvement	Construction in Progress	Right-of-use Asset	Total
Cost									
Balance at beginning of year	₱107,203,966	₱16,342,461	₱190,085,754	₱38,810,336	₱1,367,500	₱1,949,016	₱1,020,545	₱10,966,108	₱367,745,686
Additions	975,000	–	344,308	4,585,668	–	–	13,345,046	254,716	19,504,738
Transfers	–	–	966,531	276,500	–	–	(1,243,031)	–	–
Balance at end of year	108,178,966	16,342,461	191,396,593	43,672,504	1,367,500	1,949,016	13,122,560	11,220,824	387,250,424
Accumulated Depreciation and Amortization									
Balance at beginning of year	–	9,497,554	106,127,909	34,097,940	1,367,400	1,948,716	–	9,269,194	162,308,713
Depreciation and amortization	–	823,609	7,597,401	2,397,702	–	–	–	948,446	11,767,158
Balance at end of year	–	10,321,163	113,725,310	36,495,642	1,367,400	1,948,716	–	10,217,640	174,075,871
Net Book Value	₱108,178,966	₱6,021,298	₱77,671,283	₱7,176,862	₱100	₱300	₱13,122,560	₱1,003,184	₱213,174,553

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

	2023	2022
Cost of registration fees (Note 14)	**₱3,061,123**	₱3,469,272
Senior high school expenses (Note 15)	**2,221,788**	1,798,899
Tertiary expenses (Note 16)	**3,535,488**	5,720,016
Administrative expenses	**600,083**	778,971
	₱9,418,482	₱11,767,158

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, 2023, the construction in progress pertains to the construction of gravel road in Bay, Laguna, fence and gate in Tagum, Davao del Norte, and two-storey building in Buenavista, Agusan del Norte, and another in Bay, Laguna and Tagum, Davao del Norte under ACD Construction, which started during the year and estimated to be completed in 2024.

As of December 31, 2022, the construction in progress pertains to the construction of building in Buenavista, Agusan del Norte under ACD Construction, which started during the year and completed in 2023.

As of December 31, 2023 and 2022, there are no contractual commitments for the acquisition of property and equipment.

12. **Software Costs**

The movements in this account follow:

	2023	2022
Cost		
Balance at beginning and end of year	**₱4,921,410**	₱4,921,410
Accumulated Amortization		
Balance at beginning of year	**4,336,873**	3,529,134
Amortization	**533,422**	807,739
Balance at end of year	**4,870,295**	4,336,873
Net Book Value	**₱51,115**	₱584,537

The breakdown of amortization expense on software costs follows:

	2023	2022
Cost of registration fees (Note 14)	**₱37,817**	₱75,633
Senior high school expenses (Note 15)	**139,153**	366,053
Tertiary expenses (Note 16)	**356,452**	366,053
	₱533,422	₱807,739

The Association has capitalized software used in different programs and separate capitalized software used by the school offering senior high school programs and college degrees. The amortization of the capitalized software is allocated equally into senior high school expenses and tertiary expenses.

13. Accounts Payable and Accrued Expenses, and Funds Held in Trust

Accounts Payable and Accrued Expenses

This account consists of:

	2023	2022
Financial liabilities		
Accounts payable	**₱18,058,828**	₱1,108,833
Accrued expenses	**4,135,088**	3,810,478
Unearned tuition fee	**3,842,410**	3,684,718
	26,036,326	8,604,029
Non-financial liabilities		
Withholding tax payable	**437,810**	606,262
	₱26,474,136	₱9,210,291

Accounts payable include the Association's payable to contractors, payable to CHED scholars 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

Funds held in trust are donations received by the Association for scholarship fund. This scholarship funds were utilized once the approved scholars enrolled to the Association.

The rollforward analysis of fund held in trust follows:

	2023	2022
Beginning balance	**₱232,560,297**	₱83,254,550
Donation during the year	**116,823,817**	235,029,843
Utilization	**(95,799,303)**	(85,724,096)
Ending balance	**₱253,584,811**	₱232,560,297

14. **Cost of Registration Fees**

This account consists of:

	2023	2022
Compensation and employee benefits (Note 18)	**₱21,660,126**	₱20,458,387
Meals of trainees	**13,342,700**	4,649,305
Management and professional fees	**7,547,841**	3,885,062
Transportation and travel	**7,510,737**	4,008,471
Supplies and materials	**5,606,513**	2,787,604
Room accommodation and function hall	**5,379,197**	1,455,644
Seminars, meetings and trainings	**3,485,959**	3,216,468
Depreciation (Note 11)	**3,061,123**	3,469,272
Janitorial, messengerial and security	**2,758,976**	1,481,362
Information technology	**2,597,611**	3,562,598
Monitoring and evaluation	**1,714,610**	1,341,122
Power, light and water	**1,389,445**	841,502
Operating lease (Note 17)	**457,441**	859,919
Amortization (Note 12)	**37,817**	75,633
Others	**2,511,166**	2,007,169
	₱79,061,262	₱54,099,518

Others include laundry and ironing, insurance, communication and postage, repair and maintenance, periodicals and magazines, representation, library books, miscellaneous, interest expense on lease liabilities, supervision and examination, student trainee, and taxes and licenses.

15. **Senior High School Expenses**

This account consists of:

	2023	2022
Compensation and employee benefits (Notes 18 and 19)	**₱6,986,952**	₱5,861,491
Supplies and materials	**2,999,905**	648,107
Depreciation (Note 11)	**2,221,788**	1,798,899
Janitorial, messengerial, security	**2,049,577**	1,767,300
Power, light and water	**1,685,012**	1,324,619
Staff training and development and meetings	**750,412**	351,138
Information technology	**690,675**	322,286
Transportation and travel	**534,951**	458,040
Operating lease (Note 17)	**141,615**	329,843
Amortization (Note 12)	**139,153**	366,053
Management and professional fees	**111,739**	178,634
Taxes and licenses	**26,562**	85,236
Others	**555,229**	905,258
	₱18,893,570	₱14,396,904

Others include communication and postage, repairs and maintenance, representation, provision for credit losses, supervision and examination, monitoring and evaluation, insurance, advertising and publicity, miscellaneous, interest expense on lease liabilities, and student trainee.

16. **Tertiary Expenses**

This account consists of:

	2023	2022
Compensation and employee benefits (Notes 18 and 19)	**₱28,174,530**	₱21,165,929
Staff training and development and meetings	**5,025,516**	1,990,676
Depreciation (Note 11)	**3,535,488**	5,720,016
Janitorial, messengerial, security	**3,116,587**	1,795,975
Power, light and water	**2,574,487**	1,324,619
Supplies and materials	**2,330,725**	1,498,131
Transportation and travel	**2,064,629**	1,747,224
Management and professional fees	**1,313,100**	1,180,077
Information technology	**942,545**	406,747
Amortization (Note 12)	**356,452**	366,053
Operating lease (Note 17)	**256,284**	330,243
Taxes and licenses	**29,628**	152,386
Others	**10,910,106**	2,521,144
	₱60,630,077	₱40,199,220

Others include communication and postage, repair and maintenance, representation, provision for credit losses, supervision and examination, monitoring and evaluation, insurance, advertising and publicity, miscellaneous, rental, library books, interest expense on lease liabilities, food, student trainee, and laundry and ironing.

17. **Leases**

The Association has lease contracts for vehicles and other equipment used in its operations. 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 motor vehicles and 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 non-current assets of the Association amounting to ₱0.43 million and ₱1.49 million as of December 31, 2023 and 2022, respectively.

The rollforward analysis of lease liabilities follows:

	2023	2022
Beginning balance	**₱1,019,704**	₱1,707,666
Additions	**978,448**	528,604
Interest expense	**37,785**	49,918
Payments	**(1,179,975)**	(987,374)
Derecognition of terminated contracts	**–**	(279,110)
Ending balance	**₱855,962**	₱1,019,704

The current and non-current portion of the finance lease liabilities follows:

	2023	2022
Within one year	**₱742,866**	₱928,978
After one year but not more than five years	**113,096**	90,726
	₱855,962	₱1,019,704

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

	2023	2022
Within one year	**₱775,882**	₱951,838
Beyond one year	**114,068**	91,475
Total minimum lease payments	**889,950**	1,043,313
Less amount representing finance charge		
Within one year	**(33,017)**	(22,860)
Beyond one year	**(971)**	(749)
	₱855,962	₱1,019,704

The following are the amounts recognized in the statements of revenue and expenses:

	2023	2022
Depreciation expense of right-of-use assets (Note 11)	**₱1,132,517**	₱1,222,334
Interest expense on lease liabilities	**37,785**	49,918
Expenses relating to short-term leases and low value assets	**1,233,340**	1,684,359
Total amount recognized in the statements of income	**₱2,403,642**	₱2,956,611

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 non-contributory defined benefit retirement plan – a multi-employer retirement plan (MERP or the Plan) – with CARD MERP covering all of their regular employees and CARD Group Employees' Retirement Plan (Hybrid Plan) applicable to employees hired on or after July 1, 2016.

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

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

The Association has 70 and 69 employees which are part of Hybrid Plan as at December 31, 2023 and 2022, respectively.

The date of the latest actuarial valuation report for MERP and Hybrid Plan is December 31, 2023. The amounts recognized in the statement of assets, liabilities, and fund balance follow:

	2023	2022
Present value of defined benefit obligation	**(₱38,589,765)**	(₱30,959,486)
Fair value of plan assets	**47,447,068**	39,818,489
Effect of asset ceiling	**(1,090,319)**	(1,416,849)
Retirement asset	**₱7,766,984**	₱7,442,154

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

	2023	2022
Current service cost	**₱2,090,554**	₱2,476,807
Interest income on plan asset	**(3,095,981)**	(2,027,585)
Interest on effect of the asset ceiling	**102,580**	6,880
Interest expense on DBO	**2,241,467**	1,985,531
Retirement expense	**₱1,338,620**	₱2,441,633

The movements in the net retirement asset follow:

	2023	2022
Balance at beginning of year	**₱7,442,154**	₱2,512,957
Contributions paid by employer	**8,171,834**	4,500,095
Net retirement expense	**(1,338,620)**	(2,441,633)
Remeasurement loss recognized during the year	**(6,508,384)**	2,870,735
Balance at end of year	**₱7,766,984**	₱7,442,154

The movements in the present value of pension obligation follow:

	2023	2022
Balance at beginning of year	**₱30,959,486**	₱39,162,351
Remeasurement loss	**5,582,725**	(4,526,710)
Current service cost	**2,090,554**	2,476,807
Interest cost	**2,241,467**	1,985,531
Benefits paid	**(1,584,652)**	(8,236,836)
Transfers to (from) the plan	**(699,815)**	98,343
Balance at end of year	**₱38,589,765**	₱30,959,486

The movements in the fair value of plan assets follow:

	2023	2022
Balance at beginning of year	**₱39,818,489**	₱41,811,008
Interest income	**3,095,981**	2,027,585
Remeasurement loss	**(1,354,769)**	(381,706)
Contributions paid by employer	**8,171,834**	4,500,095
Benefits paid	**(1,584,652)**	(8,236,836)
Transfers to (from) the plan	**(699,815)**	98,343
Balance at end of year	**₱47,447,068**	₱39,818,489

Remeasurement gain on retirement plan follows:

	2023	2022
Beginning balance	**₱3,959,919**	₱1,089,184
Actuarial gain	**(5,582,725)**	4,526,710
Remeasurement gain on plan assets	**(1,354,769)**	(381,706)
Effect of asset ceiling	**429,110**	(1,274,269)
	(6,508,384)	2,870,735
Ending balance	**(₱2,548,465)**	₱3,959,919

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

	2023	2022
Cash and cash equivalents	**₱5,579,775**	₱6,526,251
Debt instruments - government securities	**34,271,017**	29,405,954
Loan receivables	**7,069,613**	3,340,771
Other assets	**526,663**	545,513
	₱47,447,068	₱39,818,489

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, 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:

	2023	2022
Discount rates		
January 1	**7.24%**	5.07%
December 31	**6.09%**	7.24%
Future salary increases	**5.00%**	5.00%

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

	2023		2022	
	+1.00%	**-1.00%**	+1.00%	-1.00%
Discount rate	**(₱3,288,879)**	**₱3,804,324**	(₱2,737,811)	₱3,173,867
Salary rate	**3,807,797**	**(3,350,301)**	3,213,915	(2,816,931)

The Association plans to contribute ₱5.28 million to the defined benefit retirement plan in 2024.

As at December 31, 2023, the average duration of defined benefit obligations is 9.2 years.

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

	2023	2022
Less than 1 year	**₱2,986,558**	₱2,281,356
More than 1 year to 5 years	**13,609,660**	10,814,923
More than 5 years to 10 years	**27,017,448**	20,886,639
More than 10 years to 20 years	**52,703,816**	55,179,379
More than 20 years to 30 years	**49,289,107**	60,352,666
	₱145,606,589	₱149,514,963

19. Related Party Transactions

In the ordinary course of business, the Association transacts with related parties. Related parties include associates and officers who 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.

<u>Transactions with the Retirement Plan</u>
Under PFRSs, 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 Disclosures.*

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

	2023	2022
Short-term employee benefits	**₱15,126,522**	₱12,119,054
Post-employee benefits	**2,234,075**	2,726,958
	₱17,360,597	₱14,846,012

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 associate and other related parties within CARD-MRI also qualify as related party transactions.

Related party transactions and balances as at and for the years ended December 31, 2023 and 2022 are as follows:

	December 31, 2023		
Category	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Other related parties			
Receivable		**₱486,962**	Outstanding balance related to registration fees, non-interest-bearing, unsecured, payable on demand
Additions	**₱225,343,731**		
Payment	**(224,861,958)**		
Prepaid subscription		**15,779,188**	Advance payment for share subscription in PHINMA, and CSME
Investment in associate		**3,730,659**	Investments in CMPHI and CMHTI
Share in net income	**301,667**		Income derived from the investment in associate

	December 31, 2022		
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Other related parties			
Receivable		₱5,189	Outstanding balance related to registration fees, non-interest bearing, unsecured, payable on demand
Additions	₱133,125,190		
Payment	(133,144,367)		
Prepaid subscription		13,140,388	Advance payment for share subscription of CMPHI, CSME, and CMHTI.
Investment in associate		2,775,009	Investments in CMPHI and CMHTI
Share in net income	940,240		Income derived from the investment in associate.

20. Notes to Statements of Cash Flows

The following is the summary of non-cash activities in 2023 and 2022:

	2023	2022
Non-cash investing activities:		
Additions to property and equipment through lease contracts (Notes 11 and 17)	**₱978,448**	₱528,604

The following table shows the reconciliation analysis of liabilities arising from financing activities for the year ended December 31, 2023 and 2022.

	2023		
	Fund held in trust (Note 13)	**Lease liabilities (Note 17)**	**Liabilities arising from financing activities**
Balances at beginning of year	**₱232,560,297**	**₱1,019,704**	**₱233,580,001**
Cash flows	**116,823,817**	**(1,179,975)**	**115,643,842**
Non-cash activities			
Income recognized from funds held in trust	**(95,799,303)**	**–**	**(95,799,303)**
New lease contracts entered during the year	**–**	**978,448**	**978,448**
Amortization on interest expenses	**–**	**37,785**	**37,785**
Balances at end of year	**₱253,584,811**	**₱855,962**	**₱254,440,773**

	2022		
	Fund held in trust (Note 13)	Lease liabilities (Note 17)	Liabilities arising from financing activities
Balances at beginning of year	₱83,254,550	₱1,707,666	₱84,962,216
Cash flows	235,029,843	(987,374)	234,042,469
Non-cash activities			
Income recognized from funds held in trust	(85,724,096)	–	(85,724,096)
New lease contracts entered during the year	–	528,604	528,604
Amortization on interest expenses	–	49,918	49,918
Derecognition of terminated contracts	–	(279,110)	(279,110)
Balances at end of year	₱232,560,297	₱1,019,704	₱233,580,001

21. Approval of the Release of the Financial Statements

The Association's financial statements of the Association were authorized for issue by the BOT on April 25, 2024.

22. Supplementary Information Required under Revenue Regulations (RR) 15-2010 and 34-2020

RR 15-2010
The Association reported and/or paid the following types of taxes in 2023:

Taxes and licenses
Taxes and licenses in 2023 recorded as 'Taxes and licenses' in the statement of revenue and expenses consist of:

Real property tax	₱136,394
Business permits and licenses	227,495
Community tax certificate	12,900
Annual registration	1,000
Others	1,019,246
	₱1,397,035

Taxes and licenses are presented in the statement of revenue and expenses as follows:

Administrative expenses	₱1,141,948
Cost of registration fees	198,896
Tertiary expenses	29,629
Senior high school expenses	26,562
	₱1,397,035

Withholding taxes
The following withholding taxes are categorized into:

	Paid	Payable
Withholding tax on compensation	₱2,121,926	₱176,552
Expanded withholding tax	3,145,276	261,258
	₱5,267,202	₱437,810

Tax assessments
As at December 31, 2023, there are no outstanding tax assessments and tax cases under investigations, litigations nor prosecution in courts or bodies outside the Bureau of Internal Revenue (BIR).

RR 34-2020
On December 18, 2020, the BIR issued RR 34-2020 to streamline the guidelines and procedures for the submission of BIR Form No. 1709 (RPT Form), transfer pricing documentation and other supporting documents by providing safe harbors and materiality thresholds. Section 2 of the Regulations provides the list of taxpayers that are required to file and submit the RPT Form, together with the Annual Income Tax Return.

The Company is not covered by the requirements and procedures for related party transactions provided under the Regulations as it does not meet any criteria of taxpayers that are required to file and submit RPT Form as prescribed in Section 2 of the Regulations.