Keeping the Spirit

CARD-MRI Development Institute, Inc.
Annual Report 2013

Our Vision

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

Our Mission

CMDI commits to:

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

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

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

About the Cover

It is in CMDI where every staff's transformational journey begins.

We ensure that all staff are guided with our core values and principles even in the very first steps they take in their journey with CARD MRI. We equip them with the right tools and knowledge so that they will be capable of all the things they may face along the way.

In 2013, we introduced summits for different CARD MRI staff to allow them to go back to the very reason for their being while also looking forward to greater things ahead. The picture on the cover shows the participants of the very first transformational journey summit, where a number of unit managers gathered to learn and share ideas and experiences as they journey together for self-renewal.

The Institute Director's Report

The spirit of knowledge-sharing is what CMDI is all about. Through various education and training activities we are conducting, we play a vital role in the capacity building of CARD MRI's members and staff. Our goal is to always produce dedicated, competent, and knowledgable individuals towards poverty eradication and nation-building.

CMDI also took 2013 as an opportunity to continuously enhance the skills of CARD MRI members. This year, we assisted CARD-BDFSI in designing training modules for their environmental programs such as: "Kawayanan ni Inay" and "Luntiang Bukid ni Inay". We continued training our clients in topics such as: Lakbay-Aral and Enterprise Development. For some other trainings, CMDI partnered with the different institutions of CARD MRI. One project is product development training that educates members on how to package their products for mainstream marketing. CMDI also served as a venue to introduce the different programs under CARD MRI to both local and international partners.

With that spirit, CMDI did not let 2013 happen without bringing world-class education we have been providing through the years. At the start of this year, CMDI focused on reintegrating the mission and vision of CARD MRI in the summits specifically designed for account officers, unit managers, area managers, and other positions. The summit was tagged as "Transformational Journey", enabling participants to look back at the reason of CARD MRI's existence and our way of recognizing CARD MRI's unsung heroes.

In terms of degree programs, CMDI strengthened its partnership with schools for the continued learning and chance of pursuing higher education of the CARD MRI staff. With these partnerships, we are are able to send members and their children and indigenous people to college.

Edzel A. Ramos
Institute Director

CMDI also participated in CARD MRI's disaster relief management. During the earthquake and typhoon in Visayas, CMDI took the opportunity to be of help by by conducting critical incidence stress debriefing. It also participated in assisting rehabilitation through seminars and relief assistance of the affected areas.

We enhanced the training tools by creating and modifying modules based on the needs of the clients. We also improved our operation by assigning deputy directors to take lead in the trainings in Luzon, Visayas and Mindanao. CMDI also focused on accrediting the unit managers as they are proven capable and proficient after our evaluation.

We also improved our infrastructure for a better learning experience.

Moving Forward

CMDI will take a bold step forward in 2014. The main goal is to become an international degree offering institution that responds to the need of developing committed agents of development.

CMDI believes that education is one tool for poverty eradication. Hence, the training institute started the "E to E to E" strategy or the Education to Exposure to Employment, which is part of the institution's holistic approach to development, in 2014. In "E to E to E", those who will enroll at CMDI will be exposed and be immersed to actual development work done in CARD MRI. This is to transform them into competent development practitioners in the future.

Core activities such as training and empowering people will sustain this year. The commitment and passion in continuing to work for the development of our people and country would always be our guiding principle.

CMDI will also scale up to reach more who are in need of education and training services such as small businesses, other microfinance institutions, cooperatives and selected social enterprises. Lastly, CMDI will continue to improve its services for greater efficiency of educating people and pushing through the boundaries of development.

Our Partners

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

Our Locations

CMDI Main Campus
Brgy. Tranca, Bay, Laguna

CMDI Tagum
Purok Lemonsito, Brgy. Mankilam, Tagum City

CMDI Pasay
2544 Tolentino Street, Brgy. 133 Zone 13, Pasay City

Our Team

Management Committee

Edzel A. Ramos
Institute Director

Christian Albert A. Sandoval
Deputy Director for Training,
Luzon Cluster

Carissa Monina C. Ramirez
Deputy Director for Training,
Visayas Cluster

Feliciano B. Blanco
Deputy Director for Training,
Mindanao Cluster

Glenda M. Lagarile
Senior Program Manager

Maridel A. Manalo
Senior Finance Officer

Joselita V. Lanao
Learning Resources Manager

Dr. Enrique L. Navarro
Senior Managing Adviser

Board of Trustees

4th E-Learning Graduation

CMDI has produced another batch of e-learning graduates in 2013. The batch was composed of different staff from the different CARD institutions. Aside from a graduation ceremony, the batch was given an educational tour to historical sites in the country.

CISD for staff and members in Bohol

Two Critical Incident Stress Debriefing (CISD) sessions were done for CARD MRI staff and members that were survivors of the high intensity quake. The first session was held for the CARD MRI members together with the Microfinance and Health Protection (MaHP) Unit, which simultaneously held a medical mission. The other session was held for the CARD MRI staff. The aim of the CISD is to help the survivors ease their pain brought about by the calamity.

Product Development and Packaging Training

CARD-Business Development Service Foundation Inc. (CARD-BDSFI), in partnership with CMDI, held a Product Development and Packaging Training to assist the members to improve the packaging of their products and develop other product ideas. Resource persons for the training were CARD MRI successful clients, as well as Ms. Pattareepan Pongwat, Director of Small and Micro Enterprise Development Institute (SMEDI) in Thailand.

Master Degree Program Graduation

Two batches have finished their degree courses in 2013. Ceremonies for the graduates of Development Academy of the Philippines and the Southeast Asian Interdisciplinary Institute (SAIDI) were held in Manila and in Cambodia, respectively.

Cohort 12 of SAIDI

As a batch graduates, another batch starts the MA in Organizational Development program. In partnership with SAIDI Graduate School of OD, CMDI facilitates the program with specialization in Microfinance for another batch of CARD MRI scholars.

People Management Summit

A series of two-day People Management Summit was held at the CMDI main campus in Bay, CMDI campus in Tagum City and other strategic venues across the Philippines. The event consisted of activities designed to improve the people handling skills of the unit managers.

Account Officers' Summit

The Account Officers Summit with the theme "Transformational Journey" was initiated in 2013 to realign the personal values of account officers with the CARD MRI corporate values and renew their commitment to CARD MRI and nation building. The participants received lessons on improving personal and professional effectiveness in their journey as modern-day heroes.

Financial Statements

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

STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE

	December 31	
	2013	2012
ASSETS		
Current Assets		
Cash in banks (Notes 4 and 13)	**₱36,060,496**	₱23,957,686
Current portion of receivables (Note 5)	**8,622,345**	5,725,989
Other current assets (Note 6)	**917,257**	481,488
Total Current Assets	**45,600,098**	30,165,163
Noncurrent Assets		
Noncurrent portion of receivables (Note 5)	**–**	46,904
Property and equipment (Note 7)	**46,210,629**	44,427,057
Equity investment at cost (Note 13)	**4,373,900**	4,373,900
Software license (Note 8)	**180,933**	–
Total Noncurrent Assets	**50,765,462**	48,847,861
	₱96,365,560	₱79,013,024
LIABILITIES AND FUND BALANCE		
Current Liability		
Accounts payable and accrued expenses (Note 9)	**₱10,257,689**	₱4,406,745
Noncurrent Liability		
Net retirement liability (Note 12)	**1,601,488**	2,403,296
	11,859,177	6,810,041
Fund Balance		
General fund	**5,000,000**	5,000,000
Accumulated excess of revenue over expenses	**79,506,383**	67,202,983
	84,506,383	72,202,983
	₱96,365,560	₱79,013,024

See accompanying Notes to Financial Statements.

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

STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCE

	Years Ended December 31	
	2013	2012
REVENUE		
Seminars and trainings (Note 13)	**₱73,768,307**	₱37,193,709
Facilities fee (Note 13)	**1,392,002**	407,291
Donations and contributions (Note 13)	**1,002,500**	9,018,000
Interest income (Notes 4 and 13)	**648,083**	652,112
Other income	**1,338,281**	1,076,085
	78,149,173	48,347,197
EXPENSES		
Cost of seminars, trainings and other programs (Note 10)	**52,430,090**	22,756,273
Administrative:		
Compensation and employee benefits (Notes 12 and 13)	**3,778,400**	1,568,162
Transportation and travel	**1,695,299**	939,031
Insurance	**1,454,528**	569,173
Management and professional fees	**1,257,490**	1,309,911
Representation	**1,162,542**	1,023,510
Program monitoring and meetings	**989,854**	858,705
Depreciation and amortization expense (Notes 7 and 8)	**785,492**	1,341,534
Provision for doubtful accounts (Note 5)	**507,183**	292,685
Taxes and licenses	**475,419**	204,858
Utilities	**316,434**	348,800
Janitorial, messengerial, and security	**291,044**	105,084
Miscellaneous	**193,323**	138,145
Communication and postage	**180,671**	141,635
Supplies and materials	**167,433**	199,978
Repairs and maintenance	**127,799**	183,079
Information technology	**32,772**	–
	13,415,683	9,224,290
	65,845,773	31,980,563
EXCESS OF REVENUE OVER EXPENSES	**12,303,400**	16,366,634
FUND BALANCE AT BEGINNING OF YEAR	**72,202,983**	55,836,349
FUND BALANCE AT END OF YEAR	**₱84,506,383**	₱72,202,983

See accompanying Notes to Financial Statements.

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

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses	**₱12,303,400**	₱16,366,634
Adjustments for:		
Depreciation and amortization expense (Notes 7 and 8)	**6,933,802**	5,144,894
Retirement expense (Note 12)	**3,112,174**	782,306
Interest income	**(648,083)**	(652,112)
Provision for doubtful accounts (Note 5)	**507,183**	292,685
Unrealized foreign exchange loss (gain) from cash in bank	**82,509**	(2,431)
Dividend income	**(1,293,562)**	–
Operating income before working capital changes	**20,997,423**	21,931,976
Changes in operating assets and liabilities:		
Decrease (increase) in amount of:		
Receivables (Note 5)	**(3,351,927)**	4,835,204
Other current assets (Note 6)	**(435,769)**	1,511,538
Increase (decrease) in amount of:		
Accounts payable and accrued expenses (Note 9)	**5,850,944**	(5,115,086)
Net cash generated from operations	**23,060,671**	23,163,632
Contributions to retirement fund (Note 12)	**(3,913,982)**	(5,807,214)
Dividends received	**1,293,562**	–
Interest received	**643,375**	640,657
Net cash provided by operating activities	**21,083,626**	17,997,075
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment (Note 7)	**(8,714,307)**	(16,297,136)
Acquisition of software license (Note 8)	**(184,000)**	–
Payment of subscriptions payable on equity investments at cost (Note 13)	**–**	(2,373,900)
Net cash used in investing activities	**(8,898,307)**	(18,671,036)
NET INCREASE (DECREASE) IN CASH IN BANKS	**12,185,319**	(673,961)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH IN BANK	**(82,509)**	2,431
CASH IN BANKS AT BEGINNING OF YEAR	**23,957,686**	24,629,216
CASH IN BANKS AT END OF YEAR (Note 4)	**₱36,060,496**	₱23,957,686

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

1. General Information

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

Being a nonstock and nonprofit educational institution, the Association falls under Section 30 (h) of the Tax Reform Act of 1997 and as such, income from activities in pursuit of the purpose for which the Association was organized is exempt from income tax. The Association renewed its Philippine Council for NGO Certification (PCNC) accreditation on June 6, 2012 and had been granted a five-year certification for donee institution status.

The Association is a member of Center for Agriculture and Rural Development (CARD) Mutually Reinforcing Institutions (MRI).

The Association's principal office is located in Brgy. Tranca, Bay, Laguna.

2. Summary of Significant Accounting Policies

Basis of Preparation
The accompanying financial statements have been prepared on a historical cost basis and are presented in Philippine peso, the Association's functional currency. All values are rounded to the nearest peso unless otherwise indicated.

Statement of Compliance
The Association's financial statements have been prepared in accordance with the Philippine Financial Reporting Standards for Small and Medium-sized Entities (PFRS for SMEs).

Significant Accounting Policies

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

Financial Instruments - Initial Recognition and Subsequent Measurement
Date of recognition
A financial asset or a financial liability is recognized only when the Association becomes a party to the contractual provisions of the instrument.

Initial recognition of financial instruments
All financial assets and financial liabilities are initially measured at fair value, which is normally the transaction price. Except for financial assets and liabilities at FVPL, the initial measurement of financial instruments includes transaction costs. The Association classifies its financial assets in the following categories: financial assets at FVPL, financial assets that are debt instruments at amortized cost, financial assets that are equity instruments at cost less impairment, and loan commitments at cost less impairment. Financial liabilities are classified into the following categories: financial liabilities at FVPL and financial liabilities measured at amortized cost.

Management determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As at December 31, 2013 and 2012, the Association has no loan commitments at cost less impairment and financial liabilities at FVPL.

Financial assets that are debt instruments at amortized cost
This category includes receivables.

After initial measurement, these financial assets are subsequently measured at amortized cost using the effective interest method, less allowance for credit losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The amortization on receivables is included in 'Interest income' in the statement of revenue and expenses and changes in fund balance. The losses arising from impairment are recognized in 'Provision for doubtful accounts'.

Financial assets that are equity instruments at cost less impairment
This category includes equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably.

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

Financial liabilities at amortized cost
This category includes accounts payable which are not designated at FVPL and where the substance of the contractual arrangement results in the Association having an obligation either to deliver cash or another financial asset to the holder.

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

<u>Classification of Financial Instruments between Debt and Equity</u>
A financial instrument is classified as debt if it provides for a contractual obligation to:
- deliver cash or another financial asset to another entity;
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Association; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Association does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

<u>Derecognition of Financial Assets and Liabilities</u>
Financial assets
A financial asset is derecognized only when:
1. the contractual rights to the cash flows from the financial asset have expired or are settled; or
2. the Association transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or

3. the Association, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Association derecognizes the asset, and recognizes separately any rights and obligations retained or created in the transfer.

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

Financial liabilities
A financial liability (or a part of a financial liability) is derecognized only when it is extinguished (i.e., when the obligation specified in the contract is discharged, is cancelled or expires). 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 expenses and changes in fund balance.

Impairment of Financial Assets
The Association assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

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

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

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

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

Property and Equipment

Depreciable property and equipment, which includes land improvements, training facilities, office furniture, fixtures and equipment, transportation equipment, and leasehold improvements, is carried at cost less accumulated depreciation and any impairment in value.

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

Depreciation is calculated on a straight-line basis over the useful life of the asset as follows:

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

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

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

Software License

Software license includes costs incurred in obtaining licensing the software purchased and used by the Association. The amortization of software license is on a straight-line basis over a period of five years and is recorded under ‘Depreciation and amortization expense’ account.

Impairment of Property and Equipment and Software License

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

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

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

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

Fund Balance
Fund balance consists of the amounts contributed by the members of the Association and all current and prior period results of operations.

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

Seminar and training fees
Seminar and training fees are recognized when seminars and trainings have been conducted and completed. Tuition fees included in this amount are recognized over the service period.

Donations and contributions
Donations and contributions are recognized when there is actual transfer of assets from the donor in case of unconditional grants, or when conditions are met in case of conditional grants.

Interest income
Interest income from cash in banks is recognized on a time proportion basis as it accrues using the effective interest method.

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

Other income
Income from other sources is recognized when earned.

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

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

- On the basis of a direct association between the costs incurred and the earning of specific items of income;
- On the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or

- Immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the statements of financial position as an asset.

Foreign Currency Transactions
Foreign currency-denominated monetary assets and liabilities are translated into Philippine pesos based on the Philippine Dealing System (PDS) closing rate prevailing at the end of the year and foreign currency-denominated income and expenses at the PDS weighted average rate prevailing on transaction date. Foreign exchange gains or losses from foreign currency translations and revaluation of foreign currency-denominated monetary assets and liabilities are credited to or charged against current operations.

Leases
The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

a. There is change in contractual terms, other than a renewal or extension of the arrangement;
b. A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
c. There is a change in the determination of whether fulfillment is dependent on a specified asset; or
d. There is substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c), or (d) above, and at the date of renewal or extension period for scenario (b).

Operating Leases
Association as lessee
Leases where the lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the statement of revenue and expenses and changes in fund balance on a straight-line basis over the lease term.

Retirement Benefits
The Association is covered by a funded noncontributory defined benefit retirement plan.

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

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

Provisions
Provisions are recognized when an obligation (legal or constructive) is incurred as a result of a past event and where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

Related Party Relationships and Transactions
Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among the enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance or the relationship, and not merely the legal form.

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

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3. **Significant Accounting Judgments and Estimates**

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

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

b. Foreign currency translation
The Association conducts transactions in foreign currency. The Association maintains two US Dollar Bank accounts for international clients paying in US dollar. In accounting for dollar denominated transactions, the Association does not recognize realized gain/loss from settlement of receivables. Net income or loss is reflected through the translation of cash in bank - dollar account at year-end.

c. *Contingencies*
The amount of probable costs for the resolution of possible claims has been developed in consultation with CARD MRI in-house legal counsel handling the Association's defense and is based upon the analysis of potential results. No provisions for contingencies were provided as at December 31, 2013 and 2012.

d. *Going concern*
The Association's management has made an assessment of the Association's ability to continue as a going concern and is satisfied that the Association has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Association's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

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

a. *Impairment of trade receivables*
The Association assesses its receivables for impairment at each reporting date. In determining whether a credit loss should be recorded in the statement of revenues and expenses and changes in fund balance, the Association makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from its receivable. This evidence may include observable data indicating that there has been an adverse change in the payment status of its debtors.

As at December 31, 2013 and 2012, the carrying amount of receivables amounted to ₱8.6 million and ₱5.7 million, respectively. As at December 31, 2013 and 2012, allowance for doubtful accounts amounted to ₱0.8 million and ₱1.0 million, respectively (Note 5).

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

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

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

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Association is required to make estimates and assumptions that can materially affect the financial statements. No impairment loss was recognized in 2013 and 2012. As at December 31, 2013 and 2012, the carrying value of property and equipment amounted to ₱46.2 million and ₱44.4 million, respectively (Note 7).

c. *Impairment of equity investment at cost*
The Association treats equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. Impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

The Association has an equity investment at cost amounting to ₱4.4 million as at December 31, 2013 and 2012. There is no allowance for impairment losses on equity investments as at December 31, 2013 and 2012.

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

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

The expected rate of return on plan assets was based on the market prices prevailing on that date applicable to the period over which obligation is to be settled. The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as at the reporting dates.

The present value of the defined benefit obligation amounted to ₱16.5 million and ₱12.3 million as at December 31, 2013 and 2012, respectively (Note 12).

4. Cash in Banks

This account consists of:

	2013	2012
Time deposits	**₱22,645,720**	₱17,347,087
Demand deposits	**6,107,405**	4,546,338
Savings deposits	**7,307,371**	2,064,261
	₱36,060,496	₱23,957,686

Demand and savings deposits earn interest at the respective bank deposit rates.

Time deposits have maturities of less than three months with annual interest rates ranging between 2.5% to 4.0% and 3.5% to 4.5% in 2013 and 2012, respectively.

Interest income earned on the Association's cash in banks amounted to ₱0.6 million and ₱0.7 million in 2013 and 2012, respectively.

5. Receivables

This account consists of:

	2013	2012
Receivable from related parties (Note 13)	**₱7,537,321**	₱5,649,387
Receivable from contractor	**1,247,200**	–
Receivable from trainees and participants	**570,451**	971,705
Interest receivable	**58,553**	53,845
Notes receivable	**46,904**	136,162
	9,460,429	6,811,099
Less allowance for doubtful accounts	**838,084**	1,038,206
Total receivables	**8,622,345**	5,772,893
Less noncurrent portion	**–**	46,904
Current portion	**₱8,622,345**	₱5,725,989

During the year, the Association has three outstanding construction contracts with contractor Ark LMFB, Inc. for the construction of building and land improvements. Two of the three contracts for which the contractor has billings of ₱2.2 million exceeded the contract costs incurred of ₱0.9 million representing the portion completed. The excess is recorded under the 'Receivable from contractor' account.

Changes in the allowance for doubtful accounts are as follows:

	2013	2012
Balance at beginning of year	**₱1,038,206**	₱814,921
Provision during the year	**507,183**	292,685
Written off accounts	**(707,305)**	(69,400)
Balance at end of year	**₱838,084**	₱1,038,206

Impairment of trade and other receivables is assessed collectively.

6. Other Current Assets

This account consists of:

	2013	2012
Prepaid expenses	**₱833,850**	₱401,424
Supplies inventory	**83,407**	80,064
	₱917,257	₱481,488

Prepaid expenses include prepayments for insurance, supplies and other expenses. Supplies inventory includes souvenir items distributed to trainees.

Property and Equipment

The composition of and movements in this account follow:

2013	Land	Land Improvement	Training Facilities	Office Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvement	Construction in Progress	T
Cost								
Balance at beginning of year	**₱6,958,588**	**₱520,708**	**₱41,364,754**	**₱7,256,470**	**₱4,267,722**	**₱896,828**	**₱911,481**	**₱62,176**
Additions/transfers	**–**	**–**	**5,877,722**	**1,696,790**	**–**	**–**	**2,051,276**	**9,625**
Disposals/transfers	**–**	**–**	**30,942**	**(30,942)**	**–**	**–**	**(911,481)**	**(911**
Balance at end of year	**6,958,588**	**520,708**	**47,273,418**	**8,922,318**	**4,267,722**	**896,828**	**2,051,276**	**70,890**
Accumulated depreciation								
Balance at beginning of year	**–**	**379,044**	**9,074,742**	**5,166,336**	**2,481,663**	**647,709**	**–**	**17,749**
Depreciation	**–**	**54,801**	**4,593,724**	**1,280,721**	**752,370**	**249,119**	**–**	**6,930**
Disposal	**–**	**–**	**–**	**–**	**–**	**–**	**–**	
Balance at end of year	**–**	**433,845**	**13,668,466**	**6,447,057**	**3,234,033**	**896,828**	**–**	**24,680**
Net book value	**₱6,958,588**	**₱86,863**	**₱33,604,952**	**₱2,475,261**	**₱1,033,689**	**₱–**	**₱2,051,276**	**₱46,210**

2012	Land	Land Improvement	Training Facilities	Office Furniture, Fixtures and Equipment	Transportation Equipment	Leasehold Improvement	Construction in Progress	T
Cost								
Balance at beginning of year	₱6,501,607	₱356,368	₱23,500,892	₱6,664,670	₱2,229,000	₱896,828	₱7,135,584	₱47,284
Additions/transfers	456,981	164,340	1,457,322	1,997,334	2,038,722	–	10,182,437	16,297
Disposals/transfers	–	–	16,406,540	(1,405,534)	–	–	(16,406,540)	(1,405
Balance at end of year	6,958,588	520,708	41,364,754	7,256,470	4,267,722	896,828	911,481	62,176
Accumulated depreciation								
Balance at beginning of year	–	341,179	6,195,000	5,481,937	1,643,251	348,767	–	14,010
Depreciation	–	37,865	2,879,742	1,089,933	838,412	298,942	–	5,144
Disposal	–	–	–	(1,405,534)	–	–	–	(1,405
Balance at end of year	–	379,044	9,074,742	5,166,336	2,481,663	647,709	–	17,749
Net book value	₱6,958,588	₱141,664	₱32,290,012	₱2,090,134	₱1,786,059	₱249,119	₱911,481	₱44,427

The breakdown of depreciation expense on property and equipment in 2013 and 2012 follows:

	2013	2012
Cost of seminars, trainings, and other programs (Note 10)	**₱6,146,010**	₱3,803,360
Administrative	**784,725**	1,341,534
	₱6,930,735	₱5,144,894

Construction in progress represents costs recognized by the Association for three ongoing construction projects for land and building improvements (Note 5).

As at December 31, 2013 and 2012, the total cost of fully-depreciated assets still in use amounte to ₱8.0 million and ₱6.9 million, respectively.

8. Software License

The composition of and movements in the account follow:

Cost	
Balance at beginning of year	₱–
Additions/transfers	184,000
Balance at end of year	184,000
Accumulated Amortization	
Balance at beginning of year	–
Amortization	3,067
Balance at end of year	3,067
Net Book Value	₱180,933

The breakdown of amortization expense on software license in 2013 follows:

Cost of seminars, trainings, and other programs (Note 10)	₱2,300
Administrative	767
	₱3,067

9. Accounts Payable and Accrued Expenses

This account consists of:

	2013	2012
Accrued expenses	**₱3,819,523**	₱2,144,743
Funds held in trust (Note 13)	**3,762,764**	8,000
Unearned tuition fee	**1,436,156**	812,000
Accounts payable	**1,239,246**	1,442,002
	₱10,257,689	₱4,406,745

Accrued expenses include accrual for vacation leave credits, cash gifts, 13th and 14th month pay, and other expenses.

Funds held in trust includes donations received by the Association on behalf of CARD, Inc. during the launching of Zero Dropout Education Scheme (ZeDrES) last April 2, 2013. Total donations for ZeDrES received in 2013 by the Association amounted to ₱3.5 million. The funds also includes ₱0.2 million donations received by the Association for the University of the Philippines (UP) Educational Loan Fund. As per memorandum of understanding, the Association shall use funds to provide educational assistance to students enrolled in any degree offered by UP. As at December 31, 2013, no disbursement has yet been made from the funds.

10. Cost of Seminars, Trainings and Other Programs

This account consists of:

	2013	2012
Meals of trainees	**₱16,696,044**	₱4,989,833
Compensation and employee benefits (Notes 12 and 13)	**8,664,048**	6,296,749
Room accommodation and function hall	**6,301,294**	409,543
Depreciation (Note 7)	**6,146,010**	3,803,360
Transportation and travel	**4,395,777**	1,839,426
Supplies and materials	**3,088,238**	639,165
Janitorial, messengerial and security	**1,963,410**	1,057,411
Utilities	**1,410,238**	1,358,398
Management and professional fees	**1,320,969**	168,858
Repairs and maintenance	**896,547**	659,547

(Forward)

	2013	2012
Representation expense	**₱610,441**	₱314,203
Office rental	**180,000**	180,000
Information technology	**97,887**	356,496
Miscellaneous	**659,187**	683,284
	₱52,430,090	₱22,756,273

Miscellaneous includes laundry and ironing, communication and postage, periodicals and magazines, library expenses and other program-related costs.

11. Lease Contracts - Lessee

As at December 31, 2013, the Association has two outstanding lease contracts for the lease of two commercial buildings from CARD Inc., both with lease term of three years until November 16, 2016 and are renewable upon mutual agreement between the Association and the lessor.

Future aggregate minimum lease payments under non-cancellable operating leases are as follow:

	2013	2012
Not later than one year	**₱180,000**	₱180,000
Later than one year and not later than five years	**345,000**	–
	₱525,000	₱180,000

Lease payments recognized under office rental amount to ₱0.2 million in 2013 and 2012.

12. Retirement Benefits

The Association, CARD SME Bank, Inc. (CSMEB), CARD Mutual Benefit Association (MBA), Inc., CARD Bank, Inc., CARD MRI Insurance Agency (CAMIA), Inc., CARD Business Development Service Foundation (BDSF), Inc., CARD MRI Information Technology, Inc. (CMIT), BotiCARD, Inc., and CARD, Inc. maintain a funded and formal noncontributory defined benefit retirement plan - the CARD MRI Multi-Employer Retirement Plan (MERP) - covering all of their regular employees. The MERP has a projected unit cost format and is financed solely by the Association and its related parties. MERP complies with the requirement of Republic Act No. 7641 (The Philippine Retirement Law). The MERP provided lump sum benefits equivalent to at least one half (1/2) month salary for every year of service, a fraction of at least six months being considered as one whole year upon retirement, death, total and permanent disability, or early retirement after completion of at least ten (10) years of service with the participating companies. However, starting 2011, the MERP provides lump sum benefits equivalent to 120.0% of final salary for every year of credited service, a fraction of at least six (6) months being considered as one whole year upon retirement, death, total and permanent disability, or early retirement after completion of at least one year of service with the participating companies.

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

	2013	2012
Discount rates	**6.38%**	6.20%
Future salary increases	**12.00**	12.00

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

	2013	2012
Present value of pension obligation	**₱16,491,326**	₱12,257,900
Fair value of plan assets	**(14,889,838)**	(9,854,604)
Net retirement liability	**₱1,601,488**	₱2,403,296

The amounts included in ‘Compensation and employee benefits’ account in the statements of revenue and expenses, and changes in fund balance follow:

	2013	2012
Current service cost	**₱1,581,300**	₱1,618,552
Net actuarial loss (gain) recognized during the year	**1,523,041**	(1,445,983)
Interest cost	**759,990**	822,462
Actual return on plan assets	**(752,157)**	(212,725)
	₱3,112,174	₱782,306

The movements in the net retirement liability follow:

	2013	2012
Balance at beginning of year	**₱2,403,296**	₱7,428,204
Contributions paid	**(3,913,982)**	(5,807,214)
Retirement expense	**3,112,174**	782,306
Balance at end of year	**₱1,601,488**	₱2,403,296

The movements in the present value of pension obligation follow:

	2013	2012
Balance at beginning of year	**₱12,257,900**	₱11,682,700
Current service cost	**1,581,300**	1,618,552
Actuarial loss (gain)	**1,252,191**	(1,865,814)
Interest cost	**759,990**	822,462
Transfers to the plan	**740,094**	–
Benefits paid	**(100,149)**	–
Balance at end of year	**₱16,491,326**	₱12,257,900

The movements in the fair value of plan assets follow:

	2013	2012
Balance at beginning of year	**₱9,854,604**	₱4,254,496
Contributions paid by employer	**3,913,982**	5,807,214
Interest income	**752,157**	501,067
Transfers to the plan	**740,094**	–
Return on plan assets (excluding interest)	**(270,850)**	(708,173)
Benefits paid	**(100,149)**	–
Balance at end of year	**₱14,889,838**	₱9,854,604

The Association plans to contribute ₱3.6 million to the defined benefit retirement plan in 2014.

The fair value of plan assets by each class as at the end of the reporting period are as follow:

	2013	2012
Cash and cash equivalents	**₱8,071,781**	₱5,940,215
Debt Instruments - Government Bonds	**5,425,857**	2,866,139
Loans	**920,192**	101,442
Mutual Funds	**205,480**	–
Equity Instruments	**93,806**	600,694
Debt Instruments - Other Bonds	**–**	346,114
Other (Market Gains / Losses, Accrued Receivables, etc.)	**172,722**	–
	₱14,889,838	₱9,854,604

Included in the fund assets are transactions with the Association such as time deposits, investment in subordinated debts and investment in shares of stock.

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

The management performed an Asset-Liability Matching Study (ALM) annually. 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 average duration of the defined benefit obligation at the end of the reporting period is 24.3 years.

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

	2013	2012
Less than 1 year	**₱–**	₱57,115
More than 1 year to 5 years	**–**	383,498
More than 5 years to 10 years	**1,306,513**	2,097,502
More than 10 years to 15 years	**4,808,918**	1,468,765
More than 15 years to 20 years	**46,946,331**	12,567,074
More than 20 years to 25 years	**17,609,889**	43,929,021
More than 25 years	**466,826,755**	183,411,610

13. **Related Party Transactions**

In the ordinary course of business, the Association transacts with related parties. Related parties include trustees, members, officers, employees and entities (affiliates) where trustees, members and officers hold key management positions. Transactions with these related parties include normal banking transactions, interest and non-interest bearing advances or loans, accounts receivable and accounts payable. These transactions are made substantially on the same terms as other individuals and business of comparable risks.

Transactions with retirement plans
Under PFRS for SMEs, certain post-employment benefit plans are considered as related parties. CARD MRI's Multi-Employer Retirement Plan (MERP) is managed by the CARD Employee Multipurpose Cooperative (EMPC). Part of the plan assets are invested in time deposits and special savings accounts with the affiliated banks (Note 12).

Remunerations of Trustees and other Key Management Personnel
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Association, directly or indirectly. The Association considers the members of the board of trustees and senior management to constitute key management personnel for purposes of Section 33 of PFRS for SMEs.

The compensation of key management personnel included under 'Compensation and employee benefits' in the statement of revenues and expenses and changes in fund balance are as follows:

	2013	2012
Post-employment benefits	**₱1,978,545**	₱141,537
Short-term employee benefits	**863,678**	812,809
	₱2,842,223	₱954,346

Other related party transactions
Transactions between the Association and its key management personnel meet the definition of related party transactions. Transactions between the Association and its affiliates within the CARD MRI, also qualify as related party transactions.

Cash, accounts payable and accounts receivable
Cash, accounts payable and accounts receivable held by the Association for key management personnel and affiliates as at December 31, 2013 and 2012 follow:

		December 31, 2013	
Category	**Amount/Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
CARD Bank			
Cash in banks:		**₱16,134,231**	These are checking, savings and time deposit accounts with annual interest rate ranging from 1.5% to 4.5%
Deposits	**₱60,303,388**		
Withdrawals	**(54,649,439)**		
Accounts payable:		–	Share of expenses
Billings	**99,431**		
Payments	**(99,431)**		
Accounts receivable:		**1,583,032**	Training fees, seminars and meetings, and share of expenses
Billings	**29,163,951**		
Collections	**(29,254,002)**		

(Forward)

		December 31, 2013	
Category	**Amount/Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
CARD, Inc.			
Accounts payable:		**₱38,505**	Share of expenses
Billings	**₱587,545**		
Payments	**(566,692)**		
Accounts receivable:		**5,109,522**	Training fees, seminars and meetings, and share of expenses
Billings	**49,324,648**		
Collections	**(47,431,587)**		
BDSFI			
Accounts payable:		**59,077**	Share of expenses
Billings	**64,064**		
Payments	**(4,987)**		
Accounts receivable:		**14,934**	Training fees, seminars and meetings, and share of expenses
Billings	**381,901**		
Collections	**(392,089)**		
CARD MBA			
Accounts payable:		**–**	Share of expenses
Billings	**144,993**		
Payments	**(144,993)**		
Accounts receivable:		**278,873**	Training fees, seminars and meetings, and share of expenses
Billings	**5,507,706**		
Payments	**(5,866,340)**		
CARD SME			
Cash in banks:		**9,742,401**	These are checking, savings and time deposit accounts with annual interest rate ranging from 1.5% to 4.5%
Deposits	**6,589,812**		
Withdrawals	**(5,732,097)**		
Accounts payable:		**–**	Share of expenses
Billings	**3,250**		
Payments	**(3,250)**		
Accounts receivable:		**443,090**	Training fees, seminars and meetings, and share of expenses
Billings	**6,859,125**		
Collections	**(6,417,310)**		
CARD EMPC			
Accounts payable:		**–**	Share of expenses
Billings	**1,000**		
Payments	**(1,000)**		
Accounts receivable:		**29,896**	Training fees, seminars and meetings, and share of expenses
Billings	**438,510**		
Collections	**(408,990)**		
CAMIA			
Accounts payable:		**361**	Share of expenses
Billings	**361**		
Payments	**(363,112)**		
Accounts receivable:		**18,198**	Training fees, seminars and meetings, and share of expenses
Billings	**1,148,192**		
Collections	**(1,130,407)**		
CMIT			
Accounts payable:		**–**	Share of expenses
Billings	**7,600**		
Payments	**(7,600)**		
Accounts receivable:		**14,918**	Training fees, seminars and meetings, and share of expenses
Billings	**1,076,225**		
Collections	**(1,061,307)**		
BotiCARD			
Accounts payable:		**6,000**	
Billings	**6,000**		Share of expenses
Payments	**–**		
Accounts receivable:		**10,794**	Training fees, seminars and meetings, and share of expenses
Billings	**160,962**		
Collections	**(161,678)**		
Rizal Rural Bank			
Cash in banks:		**6,055,341**	These are checking, savings and time deposit accounts with annual interest rate ranging from 1.5% to 4.5%
Deposits	**6,055,341**		
Withdrawals	**–**		
Accounts receivable:		**36,597**	Training fees, seminars and meetings, and share of expenses
Billings	**151,394**		
Payments	**(114,797)**		

Category	Amount/Volume	Outstanding Balance	Nature, Terms and Conditions
		December 31, 2013	
CLFC			
Accounts receivable:		**₱1,603**	Training fees, seminars and meetings, and share of expenses
Billings	**₱394,935**		
Collections	**(393,332)**		

Category	Amount / Volume	Outstanding Balance	Nature, Terms and Conditions
		December 31, 2012	
CARD Bank			
Cash in banks:		₱10,480,282	These are checking, savings and time deposit accounts with annual interest rate ranging from 1.5% to 4.5%
Deposits	₱142,439,816		
Withdrawals	(143,261,326)		
Accounts payable:		–	Share of expenses
Billings	40,135		
Payments	(44,338)		
Accounts receivable:		1,673,083	Training fees, seminars and meetings, and share of expenses
Billings	16,234,366		
Collections	(15,096,369)		
CARD Inc.			
Accounts payable:		17,652	Share of expenses
Billings	1,207,265		
Payments	(1,286,098)		
Accounts receivable:		3,216,461	Training fees, seminars and meetings, and share of expenses
Billings	21,453,355		
Collections	(18,911,517)		
BDSFI			
Accounts payable:		–	Share of expenses
Billings	97,686		
Payments	(148,719)		
Accounts receivable:		25,122	Training fees, seminars and meetings, and share of expenses
Billings	501,619		
Collections	(489,347)		
CARD MBA			
Accounts payable:		–	Share of expenses
Billings	3,915,287		
Payments	(7,830,324)		
Accounts receivable:		637,507	Training fees, seminars and meetings, and share of expenses
Billings	8,685,685		
Collections	(11,663,345)		
CARD SME			
Cash in banks:		8,884,686	These are checking, savings and time deposit accounts with annual interest rate ranging from 1.5% to 4.5%
Deposits	13,556,000		
Withdrawals	(8,994,866)		
Accounts payable:		–	Share of expenses
Billings	3,250		
Payments	(3,250)		
Accounts receivable:		1,275	Training fees, seminars and meetings, and share of expenses
Billings	3,075,402		
Collections	(3,246,219)		
CARD EMPC			
Accounts payable:		–	Share of expenses
Billings	9,000		
Payments	(9,000)		
Accounts receivable:		376	Training fees, seminars and meetings, and share of expenses
Billings	26,174		
Collections	(25,798)		
CAMIA			
Accounts payable:		363,112	Share of expenses
Billings	363,112		
Payments	–		
Accounts receivable:		413	Training fees, seminars and meetings, and share of expenses
Billings	166,352		
Collections	(168,375)		

	December 31, 2012		
Category	Amount / Volume	Outstanding Balance	Nature, Terms and Conditions
CMIT			
Accounts payable:		₱–	Share of expenses
Billings	₱1,100		
Payments	(1,100)		
Accounts receivable:		–	Training fees, seminars and meetings, and share of expenses
Billings	3,765,708		
Collections	(6,873,108)		
BotiCARD			
Accounts payable:		–	Share of expenses
Billings	1,373		
Payments	(3,258)		
Accounts receivable:		11,510	Training fees, seminars and meetings, and share of expenses
Billings	245,668		
Collections	(234,158)		

Others

Other related party transactions of the Association are as follows:

	2013	2012	**Nature, Terms and Conditions**
Statement of Assets, Liabilities and Fund Balance			
CARD Inc.			
Funds held in trust	**₱3,531,264**	₱8,000	Funds received by the Association in behalf of CARD, Inc. for ZeDrES program (Note 9)
CMIT			
Equity investment at cost	**4,373,900**	4,373,900	Association's investment in equity shares with 4.08% ownership
Statement of Revenue and Expenses and Changes in Fund Balance			
CARD Bank			
Seminars and trainings	**21,072,611**	9,461,005	Income derived from providing seminars and trainings to CARD MRI group and the related affiliates
Facilities fee	**434,800**	46,715	Income derived from the use of facilities to CARD MRI group and external parties for various events
Interest income	**334,614**	279,463	These are interest earned by savings and time deposit accounts of the Association
CARD, Inc.			
Donations and contributions	–	5,000,000	Grants from CARD Inc. for the Association's construction of administration building and training center in Tagum, Davao.
Seminars and trainings	**39,405,400**	15,673,011	Income derived from providing seminars and trainings to CARD MRI group and the related affiliates
Facilities fee	**293,236**	121,223	Income derived from the use of facilities to CARD MRI group and external parties for various events
Rent expense	**180,000**	180,000	The Organization leases premises occupied by its branches. Rent expense is recorded under 'Office rental' (Note 10)
CARD MBA			
Seminars and trainings	**3,359,990**	3,712,076	Income derived from providing seminars and trainings to CARD MRI group and the related affiliates
Facilities fee	**105,325**	21,170	Income derived from the use of facilities to CARD MRI group and external parties for various events
CARD SME			
Seminars and trainings	**5,064,391**	2,025,837	Income derived from providing seminars and trainings to CARD MRI group and the related affiliates
Facilities fee	**160,854**	8,820	Income derived from the use of facilities to CARD MRI group and external parties for various events
Interest income	**229,504**	300,744	These are interest earned by savings and time deposit accounts of the Association
BDSFI			
Seminars and trainings	**119,083**	247,707	Income derived from providing seminars and trainings to CARD MRI group and the related affiliates
Facilities fee	**30,976**	1,020	Income derived from the use of facilities to CARD MRI group and external parties for various events

	2013	2012	Nature, Terms and Conditions
CAMIA			
Seminars and trainings	**₱1,007,012**	₱104,472	Income derived from providing seminars and trainings to CARD MRI group and the related affiliates
Facilities fee	**55,150**	8,250	Income derived from the use of facilities to CARD MRI group and external parties for various events
CMIT			
Seminars and trainings	**442,605**	1,523,189	Income derived from providing seminars and trainings to CARD MRI group and the related affiliates
Facilities fee	**5,417**	5,645	Income derived from the use of facilities to CARD MRI group and external parties for various events
Dividends	**1,293,562**	–	Income derived from the Association's investment in equity shares of CMIT
BotiCARD			
Seminars and trainings	**152,605**	181,835	Income derived from providing seminars and trainings to CARD MRI group and the related affiliates
Facilities fee	**360**	480	Income derived from the use of facilities to CARD MRI group and external parties for various events
CARD EMPC			
Seminars and trainings	**98,488**	12,955	Income derived from providing seminars and trainings to CARD MRI group and the related affiliates

The Association has equity investment at cost in CMIT common stocks amounting to ₱4.4 million. The percentage of stockholdings of the Association has decreased from 4.37% in 2012 to 4.08% in 2013 due to issuance of additional stocks by CMIT.

14. Approval for the Release of Financial Statements

The accompanying financial statements of the Association were authorized for issue by the BOT on March 15, 2014.

15. Supplementary Information under RR 15-2010

On November 25, 2010, the BIR issued RR 15-2010 to amend certain provisions of RR No. 21-2002 which provides that starting 2010, the notes to financial statements shall include information on taxes, duties and licenses paid or accrued during the taxable year.

The Association reported and/or paid the following types of taxes in 2013:

Taxes and Licenses

Taxes and licenses in 2013 recorded as 'Taxes and licenses' presented under administrative and other expenses in the statement of revenues and expenses and changes in fund balance consist of:

Real property tax	₱355,420
Business permits and licenses	95,004
Building permit	18,921
Community tax certificate	4,719
Documentary stamp tax	855
Annual registration	500
	₱475,419

Withholding Taxes

The following withholding taxes are categorized into:

	Paid during the year	Accrued at year-end
Withholding tax on compensation	₱372,038	₱159,930
Expanded withholding tax	368,876	199,816
	₱740,914	₱359,746

Tax Contingencies

The Association did not receive any final tax assessment in 2013 nor did it have tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the administration of the Bureau of Internal Revenue.

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