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

Audited Financial Statements
December 31, 2021 and 2020

and

Independent Auditor's Report

SGV
Building a better working world

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of CARD-MRI Development Institute, Inc. (A Nonstock, Not-for-Profit Association) (the Association), which comprise the statements of assets, liabilities and fund balance as at December 31, 2021 and 2020, and the statements of revenue and expense, statements of comprehensive income, statements of changes in fund balance and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

SYCIP GORRES VELAYO & CO.

Miguel U. Ballelos, Jr.

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Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-114-2022, January 20, 2022, valid until January 19, 2025
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March 19, 2022

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

STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE

	December 31	
	2021	2020
ASSETS		
Current Assets		
Cash in banks (Note 6)	**₱84,689,493**	₱48,123,098
Financial investments at amortized cost (Note 7)	**226,267,558**	190,033,210
Receivables (Note 8)	**27,486,339**	17,709,241
Other current assets (Note 9)	**12,143,613**	20,830,685
	350,587,003	276,696,234
Noncurrent Assets		
Financial investments:		
At amortized cost (Note 7)	–	30,000,000
At fair value through other comprehensive income (Note 7)	**102,916,616**	84,529,969
Investments in associates (Notes 10 and 19)	**1,434,769**	804,494
Property and equipment (Note 11)	**205,436,973**	214,760,381
Software costs (Note 12)	**1,392,275**	2,275,238
Retirement asset (Note 18)	**2,512,957**	4,179,247
Other noncurrent assets (Note 17)	**2,291,648**	3,405,282
	315,985,238	339,954,611
TOTAL ASSETS	**₱666,572,241**	₱616,650,845
LIABILITIES AND FUND BALANCE		
Current Liabilities		
Accounts payable and accrued expenses (Note 13)	**19,500,788**	8,769,648
Lease liabilities (Note 17)	**960,070**	1,689,167
	20,460,858	10,458,815
Noncurrent Liabilities		
Fund-held in trust (Note 13)	**83,254,550**	92,308,843
Lease liabilities (Note 17)	**747,596**	153,064
	84,002,146	92,461,907
	104,463,004	102,920,722
Fund Balance		
General fund	**474,156,812**	432,932,747
Restricted fund	**71,528,109**	61,222,093
Remeasurement gain on retirement plan (Note 18)	**1,089,184**	5,022,398
Net unrealized gains on financial assets at fair value through other comprehensive income (Note 7)	**15,335,132**	14,552,885
	562,109,237	513,730,123
TOTAL LIABILITIES AND FUND BALANCE	**₱666,572,241**	₱616,650,845

See accompanying Notes to Financial Statements.

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

STATEMENTS OF REVENUE AND EXPENSE

	Years Ended December 31	
	2021	2020
REVENUE		
Seminars and trainings	**₱82,142,648**	₱83,889,932
Senior high tuition and other school fees	**21,487,315**	13,708,060
Tertiary tuition and other school fees	**44,734,791**	30,054,571
	148,364,754	127,652,563
Cost of seminars, trainings and other programs (Note 14)	**50,126,793**	63,332,422
Senior high school expenses (Note 15)	**18,272,078**	25,993,190
Tertiary expenses (Note 16)	**32,390,136**	24,012,901
	100,789,007	113,338,513
Gross revenue	**47,575,747**	14,314,050
Donations and contributions	**1,000,000**	9,000,000
Interest income (Notes 6 and 7)	**8,660,670**	10,955,275
Dividend income (Note 7)	**13,461,078**	6,441,375
Facilities fee	**–**	171,103
Share in net income (loss) from investments in associates (Note 10)	**630,275**	(30,185)
Other school fees	**250,650**	163,924
	71,578,420	41,015,542
ADMINISTRATIVE EXPENSES		
Compensation and employee benefits (Notes 18)	**8,443,911**	11,663,091
Provision for credit losses (Note 8)	**2,229,968**	2,469,552
Management and professional fees	**1,497,880**	82,311
Depreciation expense (Note 11)	**1,051,796**	4,788,646
Janitorial, messengerial and security	**1,011,255**	642,281
Information technology	**947,188**	563,569
Transportation and travel	**632,019**	1,085,423
Taxes and licenses	**551,462**	987,760
Operating lease (Note 17)	**518,730**	–
Insurance expense	**480,394**	214,749
Supplies and materials	**403,697**	747,199
Program monitoring and meetings	**250,758**	1,437,403
Staff training and development	**73,228**	716,081
Interest expense from lease liabilities (Note 17)	**29,817**	264,223
Others	**1,926,236**	1,353,218
	20,048,339	27,015,506
EXCESS OF REVENUE OVER EXPENSES	**₱51,530,081**	₱14,000,036

See accompanying Notes to Financial Statements.

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

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2021	2020
EXCESS OF REVENUE OVER EXPENSES	**₱51,530,081**	₱14,000,036
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive income (loss) not recycled to profit or loss in subsequent periods		
Change in remeasurement loss on retirement plan (Note 18)	**(3,933,214)**	(687,765)
Change in net unrealized gain on financial assets at other comprehensive income (Note 7)	**782,247**	12,481,622
	(3,150,967)	11,793,857
TOTAL COMPREHENSIVE INCOME	**₱48,379,114**	₱25,793,893

See accompanying Notes to Financial Statements.

CARD-MRI DEVELOPMENT INSTITUTE, INC.

(A Nonstock, Not-for-Profit Association)

STATEMENTS OF CHANGES IN FUND BALANCE

	General Fund (Note 2)	**Restricted Fund** (Note 2)	**Remeasurement Gains on Retirement Plan** (Note 18)	**Net Unrealized Gains on Financial Assets at Fair Value through Other Comprehensive Income** (Note 7)	**Total**
Balances at January 1, 2021	**₱432,932,747**	**₱61,222,093**	**₱5,022,398**	**₱14,552,885**	**₱513,730,123**
Appropriations during the year	**(10,306,016)**	**10,306,016**	**–**	**–**	**–**
Total comprehensive income for the year	**51,530,081**	**–**	**(3,933,214)**	**782,247**	**48,379,114**
Balance at December 31, 2021	**₱474,156,812**	**₱71,528,109**	**₱1,089,184**	**₱15,335,132**	**₱562,109,237**
Balances at January 1, 2020	₱421,732,718	₱58,422,086	₱5,710,163	₱2,071,263	₱487,936,230
Appropriations during the year	(2,800,007)	2,800,007	–	–	–
Total comprehensive income for the year	14,000,036	–	(687,765)	12,481,622	25,793,893
Balance at December 31, 2020	₱432,932,747	₱61,222,093	₱5,022,398	₱14,552,885	₱513,730,123

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	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses	**₱51,530,081**	₱14,000,036
Adjustments for:		
Income recognized from funds held in trust	**(63,198,064)**	(60,688,218)
Depreciation and amortization expense (Notes 11 and 12)	**24,555,749**	28,600,591
Interest income (Notes 6 and 7)	**(8,660,670)**	(10,955,275)
Dividend income (Note 7)	**(4,873,600)**	(4,886,800)
Provision for credit losses (Note 8)	**2,229,968**	2,469,552
Interest expense	**34,129**	269,208
Net retirement expense (Note 18)	**1,806,130**	1,828,795
Share in net income of associates (Note 10)	**(630,275)**	30,184
Operating income (loss) before working capital changes	**2,793,448**	(29,331,927)
Changes in operating assets and liabilities:		
Decrease (increase) in the amounts of:		
Receivables	**(10,156,141)**	2,039,280
Other current assets	**10,408,669**	(11,273,354)
Increase (decrease) in the amounts of		
Accounts payable and accrued expenses	**10,731,140**	(9,392,092)
Net cash generated from (used in) operations	**13,777,116**	(47,958,093)
Interest received	**6,809,745**	10,789,945
Contributions to retirement fund (Note 18)	**(4,073,054)**	(398,690)
Interest paid	**(4,312)**	(4,985)
Net cash provided by (used in) operating activities	**16,509,495**	(37,571,823)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Financial investments at amortized cost	**(538,263,311)**	(525,699,826)
Financial investments at FVOCI	**(12,730,800)**	(55,013,385)
Property and equipment (Note 11)	**(13,359,924)**	(13,648,371)
Proceeds from:		
Maturities of financial investments at amortized cost	**532,028,964**	572,385,131
Dividends received from associate	**–**	100,596
Net cash used in investing activities	**(32,325,071)**	(21,875,855)
CASH FLOWS FROM FINANCING ACTIVITY		
Receipt of funds held in trust (Note 20)	**54,143,771**	21,003,991
Payments on finance lease (Note 17)	**(1,761,800)**	(4,094,101)
Net cash provided by financing activities	**52,381,971**	16,909,890
NET INCREASE (DECREASE) IN CASH IN BANKS	**36,566,395**	(42,537,788)
CASH IN BANKS AT BEGINNING OF YEAR	**48,123,098**	90,660,886
CASH IN BANKS AT END OF YEAR (Note 6)	**₱84,689,493**	₱48,123,098

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

1. General Information

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

The Association's permit to operate as a tertiary education was granted by the Commission on Higher Education (CHED) on May 28, 2015. It started to operate as a tertiary education institute offering 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 nonstock and not-for-profit educational institution, the Association falls under Section 30 (h) of the Tax Reform Act of 1997 and as such, income from activities in pursuit of the purpose for which the Association was organized is exempt from income tax. The Association renewed its Philippine Council for NGO Certification accreditation on July 27, 2017 and had been granted a five-year certification for donee institution status.

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

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

2. Summary of Significant Accounting Policies

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

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

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2021. 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.

- Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*
  The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
  - There is no substantive change to other terms and conditions of the lease.

  A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

  The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted.

- Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*
  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform;
  - Relief from discontinuing hedging relationships; and
  - Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

Significant Accounting Policies

<u>Current versus Noncurrent Classification</u>

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

An asset is current when it is:

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

All other assets are classified as noncurrent.

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

All other liabilities are classified as noncurrent.

Fair Value Measurement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Association has no financial instruments at FVPL as at December 31, 2021 and 2020.

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

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

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

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

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

Long-term Investments
Long-term investments under 'financial investments at amortized cost' represent time deposits with tenor of more than twelve (12) months from date of acquisition. The Association's long-term investment includes time deposit with tenor of five (5) years. For the year 2021, long-term investment was reclassified to short-term investment because it will maturity within one year.

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

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

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

Derecognition of Financial Assets and Liabilities

Financial assets

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

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

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

Financial liabilities

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

Impairment of Financial Assets

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

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

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

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

Investments in Associates

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

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

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

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

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

Property and Equipment

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

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

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

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

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

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

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

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

<u>Software Costs</u>
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.

<u>Impairment of Nonfinancial Assets</u>
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.

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

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

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

<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:

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

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

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

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

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

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

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

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

Leases

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

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

Right-of-use assets
The Association recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying is available for use) as part of Property and Equipment. Right-of-use assets are measured at cost, less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, which ranges from 1 to 3 years. Right-of-use assets are also subjected to the impairment policy on non-financial assets. Right-of0use assets are presented under Property and Equipment in the statement of financial position.

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

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

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

<u>Retirement Benefits</u>
The Association operates a defined benefit retirement plan and hybrid retirement plan which require contribution to be made to a separately administered fund. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the reporting date reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling (if any). The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plan is actuarially determined using the projected unit credit method.

Movement of the retirement costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

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

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

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

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

Provisions and Contingencies

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

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

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

Events after the Reporting Period

Post-year-end events up to the date of the approval of the BOT of the financial statements that provide additional information about the Association's position at the reporting date (adjusting 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. Unless otherwise indicated, 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, 2022

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

Effective beginning on or after January 1, 2023

  - Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

Effective beginning on or after January 1, 2024

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

Effective beginning on or after January 1, 2025

- PFRS 17, Insurance Contracts

Deferred effectivity

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

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3. Significant Accounting 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.

Judgment

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

(a) Leases - Estimating the incremental borrowing rate

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

The Association's lease liabilities amounted to ₱1.71 million and ₱1.84 million as of December 31, 2021 and 2020, respectively (see Note 17).

Estimates

(a) *Impairment of receivables*
The Association uses a provision matrix to calculate ECLs for financial assets. The provision matrix is initially based on the Association's historical observed default rates.

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

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

The carrying amount of receivables as of December 31, 2021 and 2020 are disclosed in Note 8.

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

As at December 31, 2021 and 2020, the carrying values of retirement asset of the Association are disclosed in Note 18.

4. Fair Value Measurement

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

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

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

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

	2021	
	Carrying value	**Fair value measurement using significant unobservable inputs (Level 3)**
Recurring fair value measurement		
Financial assets at FVOCI	**₱102,916,616**	**₱102,916,616**
Assets for which fair values are disclosed:		
Financial investments at amortized cost	**226,267,558**	**225,535,846**
	₱329,184,174	**₱328,452,462**

	2020	
	Carrying value	Fair value measurement using significant unobservable inputs (Level 3)
Recurring fair value measurement		
Financial assets at FVOCI	₱84,529,969	₱84,529,969
Assets for which fair values are disclosed:		
Financial investments at amortized cost	220,033,210	218,940,850
	₱304,563,179	₱303,470,819

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 following table shows the reconciliation of the beginning and closing amounts of Level 3 financial assets which are recorded at fair value:

	2021	2020
Beginning balance	**₱14,552,885**	₱2,071,263
Mark-to-market fair value changes	**782,247**	12,481,622
Ending balance	**₱15,335,132**	₱14,552,885

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 follow:

			Inputs	
Account	**Valuation Technique**	**Significant Unobservable Input**	**2021**	2020
Financial assets at FVOCI	Adjusted net asset	Book value per share	**₱127/share**	₱129.00/share
Financial investment at amortized cost	Discounted cash flow	Risk premium rate	**1.27%**	1.85%

Financial assets at FVOCI
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 asset at FVOCI	₱102,916,616
Alternative scenarios:	
Discount for lack of marketability:	
-5.00%	97,770,785
+5.00%	108,062,447

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

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

Credit Risk
Credit risk is the risk of financial loss to the Association if the counterparty to a financial instrument fails to meet its contractual obligations. The Association manages credit risk by assessing the creditworthiness of its counterparties. The Association continuously monitors the financial health and status of its counterparties to ascertain that 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, 2021 and 2020.

Credit Concentration
Concentration arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. As at December 31, 2021and 2020, 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 SCIR 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 to90 days past due but does not demonstrate objective evidence of impairment as of reporting date.

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

The following tables illustrate the Association's credit exposures from its receivables as at December 31, 2021 and 2020

	2021			
	ECL Staging			
	Stage 1	**Stage 2**	**Stage 3**	
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**	**Total**
Neither past due nor impaired				
High grade	**₱16,428,658**	**₱–**	**₱–**	**₱–**
Standard grade	–	**7,526,083**	–	–
Past due but not impaired	–	–	–	–
Past due and impaired	–	–	**12,205,880**	–
Gross carrying amount	**₱16,428,658**	**₱7,526,083**	**₱12,205,880**	**₱36,160,621**

	2020			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
Neither past due nor impaired				
High grade	₱10,203,888	₱–	₱–	₱–
Standard grade	–	5,780,448	–	–
Past due but not impaired	–	–	–	–
Past due and impaired	–	–	8,169,219	–
Gross carrying amount	₱10,203,888	₱5,780,448	₱8,169,219	₱24,153,555

As at December 31, 2021 and 2020, Association's receivables that are past due for more than 1 year are considered impaired. Following use of a simplified ECL, given receivables are short term in nature, non-defaulted accounts are computed with lifetime ECL.

Liquidity Risk

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

The table below summarize the maturity profile of the financial instruments of the Association based on undiscounted cash flows as at December 31, 2021 and 2020:

	2021			
	On demand	**Within 1 Year**	**More than 1 Year**	**Total**
Cash in banks	**₱84,689,493**	**₱–**	**₱–**	**₱84,689,493**
Financial investments at amortized cost*	–	**228,121,583**	–	**228,121,583**
Financial assets at FVOCI (Note 8)	–	–	**102,916,616**	**102,916,616**
Receivables: (Note 7)				
Students	**25,766,277**	–	–	**25,766,277**
Financial institutions	**9,210,137**	–	–	**9,210,137**
Related parties	**1,184,207**	–	–	**1,184,207**
Prepaid subscription (Note 9)	**10,906,178**	–	–	**10,906,178**
	131,756,292	**228,121,583**	**102,916,616**	**462,794,491**
Accounts payable and accrued expenses: (Note 13)				
Funds held in trust	–	–	**83,254,550**	**83,254,550**
Accounts payable	**15,637,061**	–	–	**15,637,061**
Accrued expenses	**3,411,426**	–	–	**3,411,426**
Lease liabilities	–	**960,070**	**747,596**	**1,707,666**
	19,048,487	**960,070**	**84,002,146**	**104,010,703**
	₱112,707,805	**₱227,161,513**	**₱18,914,470**	**₱358,783,788**

**includes future interest*

	2020			
\	On demand	Within 1 Year	More than 1 Year	Total
Cash and cash equivalents	₱48,123,098	₱–	₱–	₱48,123,098
Financial investments at amortized cost*	–	190,643,707	32,916,667	223,560,374
Financial assets at FVOCI (Note 8)	–	–	84,529,969	84,529,969
Receivables: (Note 7)				
Students	14,532,052	–	–	14,532,052
Interest receivables	7,359,212	–	–	7,359,212
Related parties	2,262,291	–	–	2,262,291
Prepaid subscription (Note 9)	19,069,759	–	–	19,069,759
	91,346,412	190,643,707	117,446,636	399,436,755

(forward)

\	On demand	Within 1 Year	More than 1 Year	Total
		2020		
Accounts payable and accrued expenses: (Note 13)				
Funds held in trust	₱–	₱–	₱92,308,843	₱92,308,843
Accounts payable	5,176,472	–	–	5,176,472
Accrued expenses	3,457,151	–	–	3,457,151
Lease liabilities	–	1,689,167	153,064	1,842,231
	8,633,623	1,689,167	92,461,907	102,784,697
	₱82,712,789	₱188,954,540	₱24,984,729	₱296,652,058

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

	Change in weighted cost of capital (in basis points)			
	2021		2020	
	+100 bps	**-100 bps**	+100 bps	-100 bps
Change in equity	**₱1,000,177**	**(₱1,000,177)**	₱845,300	(₱845,300)

6. **Cash in Banks**

This account consists of:

	2021	2020
Demand deposits	**₱46,635,420**	₱29,430,925
Savings deposits	**38,054,073**	18,692,173
	₱84,689,493	₱48,123,098

Cash in banks represent peso-denominated current and savings accounts which earn interests at an annual rate ranging from 0.025% to 1.50% in 2021 and 0.05% to 1.50% in 2020.

In 2021 and 2020, cash in banks earned interest amounting to ₱0.46 million and ₱0.61 million, respectively.

7. **Investment Securities**

Financial Investments at Amortized Cost
This account consists of:

	2021	2020
Short-term investments	**₱226,267,558**	₱190,033,210
Long-term investments	–	30,000,000
	₱226,267,558	₱220,033,210

Investments at amortized cost represent peso-denominated time deposits with maturity ranging from three (3) months to one (1) year and with annual interest rates ranging from 1.50% to 5.00% in 2021 and 3.00% to 6.00% in 2020.

Interest earned on investments at amortized cost amounting to ₱8.20 million and ₱10.34 million in 2021 and 2020, respectively.

Financial Investment at Fair Value through Other Comprehensive Income
This represents the Association's ownership interest in the following entities:

	2021	2020
CARD MRI Information Technology (CMIT)	**10.60%**	10.60%
CARD SME Bank (CSME)	**2.17%**	1.77%
CARD MRI Property Management Inc. (CMPMI).	**1.41%**	1.34%

Movements in the investment are as follows:

	2021	2020
Beginning balance	**₱84,529,969**	₱7,148,163
Fair value changes	**782,247**	12,481,622
Additional subscriptions during the period	**12,730,800**	60,013,384
Additional investment through issuance of share dividend	**4,873,600**	4,886,800
Ending balance	**₱102,916,616**	₱84,529,969

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

	2021	2020
Beginning balance	**₱14,552,885**	₱2,071,263
Mark-to-market fair value changes	**782,247**	12,481,622
Ending balance	**₱15,335,132**	₱14,552,885

The Association received stock dividends from CMIT amounting to ₱2.76 million and ₱3.69 million in 2021 and 2020, respectively. The Association also received stock dividends from CSME amounting to ₱2.12 million and ₱1.20 million in 2021 and 2020, respectively.

8. Receivables

This account consists of:

	2021	2020
Receivables from students	**₱25,766,277**	₱14,532,052
Interest receivable	**9,210,137**	7,359,212
Receivables from trainees and participants (Note 19)	**1,184,207**	2,262,291
	36,160,621	24,153,555
Allowance for credit losses	**(8,674,282)**	(6,444,314)
	₱27,486,339	₱17,709,241

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

Interest receivable pertains to interest accrued from time deposit.

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

An analysis of changes in the gross carrying amount and the corresponding ECL allowances is, as follows:

	2021			
	ECL Staging			
	Stage 1 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL	**Total**
Gross carrying amount and accrued interest receivables as at January 1, 2020	**₱10,203,888**	**₱5,780,448**	**₱8,169,219**	**₱24,153,555**
New financial assets originated or purchased	**123,917,801**	**–**	**–**	**123,917,801**
Financial assets derecognized during the period	**(103,886,735)**	**(6,483,777)**	**(1,540,223)**	**(111,910,735)**
Transfer to Stage 2	**(11,196,528)**	**11,196,528**	**–**	**–**
Transfer to Stage 3	**(2,609,768)**	**(2,967,116)**	**5,576,884**	**–**
Gross carrying amount as at December 31, 2021	**₱16,428,658**	**₱7,526,083**	**₱12,205,880**	**₱36,160,621**
Allowance for credit losses as at January 1, 2020	**₱1,417,823**	**₱3,459,013**	**₱1,567,478**	**₱6,444,314**
Provision for credit losses	**7,437,608**	**(4,643,634)**	**(564,006)**	**2,229,968**
Transfer from Stage 1 to Stage 2	**(5,486,298)**	**5,486,298**	**–**	**–**
Transfer from Stage 1 to stage 3	**(394,075)**	**(448,034)**	**842,109**	**–**
Balances at the end of period	**₱2,975,058**	**₱3,853,643**	**₱1,845,581**	**₱8,674,282**

	2020			
	ECL Staging			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Gross carrying amount and accrued interest receivables as at January 1, 2019	₱10,656,673	₱3,400	₱15,367,432	₱26,027,505
New financial assets originated or purchased	126,739,834	–	–	126,739,834
Financial assets derecognized during the period	(119,576,123)	–	(9,037,661)	(128,613,784)
Transfer to Stage 2	(5,780,448)	5,780,448	–	–
Transfer to Stage 3	(1,836,048)	(3,400)	1,839,448	–
Gross carrying amount as at December 31, 2020	₱10,203,888	₱5,780,448	₱8,169,219	₱24,153,555

(forward)

	ECL Staging			
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
Allowance for credit losses				
As at January 1, 2019	₱1,250,959	₱2,942	₱2,720,861	3,974,762
Provision for credit losses	3,156,031	819,631	(1,506,110)	2,469,552
Transfer from Stage 1 to Stage 2	(2,637,092)	2,637,092	–	–
Transfer from Stage 1 to stage 3	(352,075)	(652)	352,727	–
Balances at the end of period	₱1,417,823	₱3,459,013	₱1,567,478	₱6,444,314

Changes in the allowance for credit losses follow:

	2021	2020
Balance at beginning of year	**₱6,444,314**	₱3,974,762
Provision for credit losses	**2,229,968**	2,469,552
Balance at end of year	**₱8,674,282**	₱6,444,314

9. Other Current Assets

This account consists of:

	2021	2020
Financial assets		
Prepaid subscription (Note 19)	**₱10,906,178**	₱19,069,759
Non-financial assets		
Supplies inventory	**800,001**	618,063
Prepaid expenses	**437,434**	1,142,863
	₱12,143,613	₱20,830,685

Prepaid subscription includes prepayment for the initial subscription of capital stock of PHINMA, Matapat Holdings and CARD MRI Publishing House.

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

This account consists of the following:

	2021	2020
Acquisition cost		
CARD MRI Publishing House, Inc. (CMPHI)	**₱100,000**	₱100,000
CARD MRI Hijos Tours Inc. (CMHTI)	**399,995**	399,995
Balance at beginning and end of year	**499,995**	499,995
Accumulated equity in net earnings		
Balance at beginning of year	**304,499**	435,281
Share in net income (loss) for the year	**630,275**	(30,184)
Dividends received	**–**	(100,598)
	934,774	304,499
	₱1,434,769	₱804,494

Details of the Association's investments in associates follow:

			Percentage of ownership	
	Nature of business	**Place of business**	**2021**	2020
CMPHI	Publishing company	Philippines	**20.00%**	20.00%
CMHTI	Travel agency	Philippines	**20.00%**	20.00%

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	
	2021	2020	**2021**	2020
Statement of Financial Position				
Current assets	**₱5,897,340**	₱3,814,808	**₱3,264,671**	₱2,104,007
Noncurrent assets	**266,931**	80,135	**62,714**	10,133
Current liabilities	**792,267**	692,314	**397,366**	316,117
Noncurrent liabilities	**312,263**	312,263	**583,712**	583,712
Statement of Income				
Revenue	**₱14,639,421**	₱8,880,302	**₱6,547,428**	₱3,621,903
Cost of sales	**6,047,031**	3,302,624	**2,281,663**	1,356,604
Gross income	**8,592,390**	5,577,678	**4,265,765**	2,265,299
Cost and expenses	**6,102,533**	4,441,551	**2,867,338**	3,132,304
Operating income	**2,489,857**	1,136,127	**1,398,427**	(867,005)
Other income	**48,521**	7,848	**17,470**	349
Income before tax	**2,538,378**	1,143,975	**1,415,897**	(866,656)
Provision for income tax	**507,676**	378,459	**295,228**	51,071
Net income/(loss) after tax	**₱2,030,702**	₱765,516	**₱1,120,669**	(₱917,727)

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

As of December 31, 2021 and 2020, 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, 2021 and 2020, accumulated equity in net earnings amounting to ₱0.93 million and ₱0.30 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, 2021 and 2020, 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:

	2021								
	Land	**Land Improvement**	**Training and School Facilities**	**Office Furniture, Fixtures, Equipment and Library Books**	**Transportation Equipment**	**Leasehold Improvement**	**Construction in Progress**	**Right of Use of Asset**	**Total**
Cost									
Balance at beginning of year	**₱100,259,479**	**₱10,287,496**	**₱177,293,561**	**₱37,429,713**	**₱1,367,500**	**₱1,949,016**	**₱14,942,383**	**₱9,976,654**	**₱353,505,802**
Additions	**6,944,487**	**945,004**	**1,696,218**	**1,490,117**	–	–	**2,284,098**	**1,993,854**	**15,353,778**
Transfers	–	**5,109,961**	**11,095,975**	–	–	–	**(16,205,936)**	–	–
Disposals	–	–	–	**(109,494)**	–	–	–	–	**(109,494)**
Adjustment	–	–	–	–	–	–	–	**(1,004,400)**	**(1,004,400)**
Balance at end 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**
Accumulated Depreciation and Amortization									
Balance at beginning of year	–	**8,623,336**	**89,837,988**	**28,899,919**	**1,367,400**	**1,948,716**	–	**8,068,062**	**138,745,421**
Depreciation and amortization	–	**874,218**	**16,289,921**	**5,307,515**	–	–	–	**1,201,132**	**23,672,786**
Disposals	–	–	–	**(109,494)**	–	–	–	–	**(109,494)**
Balance at end of year	–	**9,497,554**	**106,127,909**	**34,097,940**	**1,367,400**	**1,948,716**	–	**9,269,194**	**162,308,713**
Net Book Value	**₱107,203,966**	**₱6,844,907**	**₱83,957,845**	**₱4,712,396**	**₱100**	**₱300**	**₱1,020,545**	**₱1,696,914**	**₱205,436,973**

	2020								
	Land	**Land Improvement**	**Training Facilities**	**Office Furniture, Fixtures, Equipment and Library Books**	**Transportation Equipment**	**Leasehold Improvement**	**Construction in Progress**	**Right of Use of Asset**	**Total**
Cost									
Balance at beginning of year	₱98,543,561	₱9,468,818	₱169,110,642	₱35,575,420	₱1,367,500	₱1,949,016	₱13,865,814	₱10,798,474	₱340,679,245
Additions	1,715,918	818,678	571,756	1,854,293	–	–	8,687,732	3,439,801	17,088,178
Transfers	–	–	7,611,163	–	–	–	(7,611,163)	–	–
Disposals	–	–	–	–	–	–		(4,261,621)	(4,261,621)
Balance at end of year	100,259,479	10,287,496	177,293,561	37,429,713	1,367,500	1,949,016	14,942,383	9,976,654	353,505,802
Accumulated Depreciation and Amortization									
Balance at beginning of year	–	8,058,705	72,536,573	23,005,058	1,367,400	1,878,421	–	4,264,272	111,110,429
Depreciation and amortization	–	564,631	17,301,415	5,894,861	–	70,295	–	3,803,790	27,634,992
Balance at end of year	–	8,623,336	89,837,988	28,899,919	1,367,400	1,948,716	–	8,068,062	138,745,421
Net Book Value	₱100,259,479	₱1,664,160	₱87,455,573	₱8,529,794	₱100	₱300	₱14,942,383	₱1,908,592	₱214,760,381

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

	2021	2020
Cost of seminars, trainings and other programs (Note 14)	**₱8,585,945**	₱7,764,182
Senior high school expenses (Note 15)	**7,640,778**	10,015,068
Tertiary expenses (Note 16)	**6,394,267**	5,067,096
Administrative expenses	**1,051,796**	4,788,646
	₱23,672,786	₱27,634,992

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, 2021, the construction in progress pertains to the establishment of cookery in Bay Campus started during the year, and renovations of facilities in Tagum Campus started in September 2018, May 2019, and December 2019 that are estimated to be completed in 2022. As of December 31, 2020, the construction in progress pertains to the establishment of cookery/ training facility in Tagum campus started in August 2019 and renovations of facilities in Bay campus started in March 2020 which were completed in May 2021 and October 2021, respectively.

As of December 31, 2021 and 2020, there are no contractual commitments for the acquisition of property and equipment.

12. Software Costs

The movements in this account follow:

	2021	2020
Cost		
Balance at beginning and end of year	**₱4,921,410**	₱4,921,410
Accumulated Amortization		
Balance at beginning of year	**2,646,172**	1,680,573
Amortization	**882,963**	965,599
Balance at end of year	**3,529,135**	2,646,172
Net Book Value	**₱1,392,275**	₱2,275,238

The breakdown of amortization expense on software costs follows:

	2021	2020
Cost of seminars, trainings and other programs (Note 14)	**₱75,633**	₱83,562
Senior high school expenses (Note 15)	**403,665**	439,058
Tertiary expenses (Note 16)	**403,665**	439,058
Administrative expenses	–	3,920
	₱882,963	₱965,599

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

This account consists of:

	2021	2020
Financial liabilities		
Accounts payable	**15,637,061**	5,176,472
Accrued expenses	**3,411,426**	3,457,151
Unearned tuition fee	**11,490**	–
	19,059,977	8,633,623
Nonfinancial liabilities		
Funds held in trust	**₱83,254,550**	₱92,308,843
Withholding tax payable	**440,811**	136,025
	83,695,361	92,444,868
	₱102,755,338	₱101,078,491

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 are donations received by the Association for scholarship fund. This scholarship fund were utilized once the approved scholars enrolled to the Association.

The rollforward analysis of fund held in trust follows:

	2021	2020
Beginning balance	**₱92,308,843**	₱132,129,095
Donation during the year	**54,143,771**	21,003,991
Utilization	**(63,198,064)**	(60,688,218)
Ending balance	**₱83,254,550**	₱92,444,868

14. Cost of Seminars, Trainings and Other Programs

This account consists of:

	2021	2020
Compensation and employee benefits (Note 18)	**₱21,981,590**	₱18,729,102
Depreciation (Note 11)	**8,585,945**	7,764,182
Information technology	**4,447,127**	5,447,856
Supplies and materials	**2,321,484**	2,555,693
Operating lease (Note 17)	**2,322,316**	69,158
Seminars, meetings and trainings	**2,285,224**	4,078,475
Transportation and travel	**1,852,721**	3,073,758
Janitorial, messengerial and security	**1,160,997**	2,566,340
Management and professional fees	**1,134,253**	1,811,412
Room accommodation and function hall	**821,692**	4,294,547
(forward)		

	2021	2020
Power, light and water	**698,211**	1,495,663
Monitoring and evaluation	**655,178**	1,503,675
Meals of trainees	**87,416**	7,134,148
Amortization (Note 12)	**75,633**	83,562
Others	**1,697,006**	2,724,851
	₱50,126,793	₱63,332,422

Others include laundry and ironing, insurance, communication and postage, repair and maintenance, periodicals and magazines, representation, library books, advertising and publicity, and supervision and examination.

15. Senior High School Expenses

This account consists of:

	2021	2020
Depreciation (Note 11)	**₱7,640,778**	₱10,015,068
Compensation and employee benefits (Notes 18 and 19)	**4,867,345**	9,418,060
Janitorial, messengerial, security	**1,143,936**	1,191,783
Information technology	**904,553**	1,267,330
Operating lease (Note 17)	**728,970**	–
Management and professional fees	**726,380**	291,993
Supplies and materials	**523,381**	960,565
Power, light and water	**469,721**	700,368
Amortization (Note 12)	**403,665**	439,058
Staff training and development and meetings	**305,143**	788,026
Transportation and travel	**174,860**	338,538
Taxes and licenses	**138,015**	206,273
Others	**245,331**	376,128
	₱18,272,078	₱25,993,190

Others include communication and postage, repairs and maintenance, representation, supervision and examination insurance, and advertising and publicity, among others.

16. Tertiary Expenses

This account consists of:

	2021	2020
Compensation and employee benefits (Notes 18 and 19)	**₱16,914,561**	₱9,674,217
Depreciation (Note 11)	**6,394,267**	5,067,096
Management and professional fees	**1,752,424**	595,946
Janitorial, messengerial, security	**1,173,147**	1,108,051
Information technology	**984,882**	1,207,486
Supplies and materials	**819,918**	979,849

(forward)

	2021	2020
Transportation and travel	**810,347**	470,119
Operating lease (Note 17)	**778,566**	–
Staff training and development and meetings	**738,975**	605,318
Power, light and water	**470,336**	694,710
Amortization (Note 12)	**403,665**	439,058
Taxes and licenses	**147,168**	437,661
Others	**1,001,880**	2,733,390
	₱32,390,136	₱24,012,901

Others include communication and postage, repair and maintenance, representation, supervision and examination, monitoring and evaluation, insurance, taxes and licenses, advertising and publicity, library books, food, 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 noncurrent assets of the Association amounting to ₱2.29 million and ₱3.41 million as of December 31, 2021 and 2020, respectively.

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

	2021	2020
Depreciation expense of right-of-use assets (Note 11)	**₱1,201,132**	₱3,803,790
Interest expense on lease liabilities	**29,817**	264,223
Expenses relating to short-term leases and low value assets	**4,348,582**	213,263
Total amount recognized in the statements of income	**₱5,579,531**	₱4,281,276

The rollforward analysis of lease liabilities follows:

	2021	2020
Beginning balance	**₱1,842,231**	₱6,605,737
Additions	**1,993,854**	3,439,801
Interest expense	**29,817**	264,223
Payments	**(1,761,800)**	(4,094,101)
Derecognition of terminated contracts	**(396,436)**	(4,373,429)
Ending balance	**₱1,707,666**	₱1,842,231

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

	2021	2020
Within one year	**₱1,114,560**	₱1,599,440
Beyond one year	**565,505**	141,589

18. **Retirement Benefits**

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

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

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

The Association has 55 and 45 employees which are part of Hybrid Plan as at December 31, 2021 and 2020, respectively.

The date of the latest actuarial valuation report for MERP and Hybrid Plan is December 31, 2021.

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

	2021	2020
Present value of defined benefit obligation	**(₱39,162,351)**	(₱28,611,891)
Fair value of plan assets	**41,811,008**	33,042,200
Effect of asset ceiling	**(135,700)**	(251,062)
Retirement asset	**₱2,512,957**	₱4,179,247

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

	2021	2020
Balance at beginning of year	**₱2,108,311**	₱2,104,353
Contributions paid by employer	**(1,407,632)**	(1,828,699)
Net retirement expense	**9,616**	42,444
Remeasurement loss recognized during the year	**1,095,835**	1,510,697
Retirement expense	**₱1,806,130**	₱1,828,795

The movements in the net retirement asset follow:

	2021	2020
Balance at beginning of year	**₱4,179,247**	₱6,297,117
Contributions paid by employer	**4,073,054**	398,690
Net retirement expense	**(1,806,130)**	(1,828,795)
Remeasurement loss recognized during the year	**(3,933,214)**	(687,765)
Balance at end of year	**₱2,512,957**	₱4,179,247

The movements in the present value of pension obligation follow:

	2021	2020
Balance at beginning of year	**₱28,611,891**	₱27,268,901
Remeasurement loss	**3,998,176**	772,904
Current service cost	**2,108,311**	2,104,353
Interest cost	**1,095,835**	1,510,697
Benefits paid	**(1,562,312)**	(3,441,716)
Transfers to the plan	**4,910,450**	396,752
Balance at end of year	**₱39,162,351**	₱28,611,891

The movements in the fair value of plan assets follow:

	2021	2020
Balance at beginning of year	**₱33,042,200**	₱34,332,153
Interest income	**1,407,632**	1,828,699
Remeasurement loss	**(60,016)**	(472,378)
Contributions paid by employer	**4,073,054**	398,690
Benefits paid	**(1,562,312)**	(3,441,716)
PVO transfer	**4,910,450**	396,752
Balance at end of year	**₱41,811,008**	₱33,042,200

Remeasurement gain on retirement plan follows:

	2021	2020
Beginning balance	**₱5,022,398**	₱5,710,163
Actuarial gain	**(3,998,176)**	(772,904)
Remeasurement gain on plan assets	**(60,016)**	(472,378)
Effect of asset ceiling	**124,978**	557,517
	(3,993,214)	(687,765)
Ending balance	**₱1,089,184**	₱5,022,398

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

	2021	2020
Cash and cash equivalents	**₱17,033,805**	₱15,291,930
Debt instruments - government securities	**20,290,882**	13,563,823
Loan receivables	**3,537,211**	–
Other assets	**949,110**	4,186,447
	₱41,811,008	₱33,042,200

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

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

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

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

	2021	2020
Discount rates		
January 1	**3.83%**	5.54%
December 31	**5.07%**	3.83%
Future salary increases	**5.00%**	3.00%

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:

	2021		2020	
	+1.0%	**+1.0%**	+1.0%	-1.0%
Discount rate	**(₱3,321,304)**	**3,909,235**	(₱2,970,592)	₱3,516,031
Salary rate	**3,872,011**	**(3,352,810)**	3,509,778	(3,019,551)

The Association plans to contribute ₱4.20 million to the defined benefit retirement plan in 2022. As at December 31, 2021, the average duration of defined benefit obligations is 9.2 years.

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

	2021	2020
Less than 1 year	**₱10,272,065**	₱2,120,454
More than 1 year to 5 years	**8,363,003**	7,172,663
More than 5 years to 10 years	**17,204,261**	13,755,222
More than 10 years to 20 years	**46,023,773**	36,230,791
More than 20 years to 30 years	**58,883,465**	39,877,721
	₱140,746,567	₱99,156,851

19. **Related Party Transactions**

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

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

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

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

	2021	2020
Short-term employee benefits	**₱11,922,051**	₱12,525,060
Post-employee benefits	**2,170,630**	1,689,349
	₱14,092,681	₱14,214,409

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

Related party transactions and balances as at and for the years ended December 31, 2021 and 2020 are as follows:

	December 31, 2021		
Category	**Amount/ Volume**	**Outstanding Balance**	**Nature, Terms and Conditions**
Other related parties			
Receivable		**₱24,366**	Outstanding balance related to trainings and seminars, non-interest bearing, unsecured, payable on demand.
Additions	**86,750,309**		
Payment	**(87,082,424)**		
Prepaid subscription		**100,000**	Advance payment for share subscription in CMPHI
Investment in associate		**1,434,769**	Investments in CMPHI and CMHTI with 20.00% ownership each.
Share in net income	**630,275**		Income derived from the Association's investment in associate

	December 31, 2020		
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Conditions
Other related parties			
Receivable		356,481	Outstanding balance related to trainings and seminars, non-interest bearing, unsecured, payable on demand.
Addition	93,505,436		
Payment	(94,306,630)		
Prepaid subscription		100,000	Advance payment for share subscription of CMPHI
Investment in associate		₱804,495	Investments in CMPHI and CMHTI with 20.00% ownership each.
Share in net loss	(30,185)		Loss derived from the Association's investment in associate
Dividend	100,567		Dividend received from the Association's investment in associate

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

The following is the summary of noncash activities in 2021 and 2020:

	2021	2020
Non-cash investing activities:		
Additions to property and equipment through lease contracts (Note 11)	**₱1,993,854**	₱3,439,801

The following table shows the reconciliation analysis of liabilities arising from financing activities for the year ended December 31, 2021 and 2020

	2021		
	Fund held in trust	**Lease liabilities**	**Liabilities arising from financing activities**
Balances at beginning of year	**₱92,308,843**	**₱1,842,231**	**₱94,151,074**
Cash flows	**54,143,771**	**(1,761,800)**	**37,454,691**
Non-cash activities			
Income recognized from funds held in trust	**(63,198,064)**	**–**	**(48,270,784)**
New lease contracts entered during the year (Note 17)	**–**	**1,993,854**	**1,993,854**
Amortization on interest expenses (Note 17)	**–**	**29,817**	**29,817**
Derecognition of terminated contracts (Note 17)	**–**	**(396,436)**	**(396,436)**
Balances at end of year	**₱83,254,550**	**₱1,707,666**	**₱84,962,216**

	2020		
	Fund held intrust	Lease liabilities	Liabilities arising from financing activities
Balances at beginning of year	₱131,993,070	₱6,605,737	₱138,598,807
Cash flows	21,003,991	(4,094,101)	16,909,890
Non-cash activities			
Income recognized from funds held in trust	(60,688,218)	–	(60,688,218)
New lease contracts entered during the year (Note 18)	–	3,439,801	3,439,801
Amortization on interest expenses (Note 18)	–	264,223	264,223
Derecognition due to termination of contracts	–	(4,373,429)	(4,373,429)
Balances at end of year	₱92,308,843	₱1,842,231	₱94,151,074

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 March 19, 2022.

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

The Association reported and/or paid the following types of taxes in 2021:

Taxes and Licenses

Taxes and licenses in 2021 recorded as ‘Taxes and licenses’ in the statement of revenue and expenses consist of:

Real property tax	₱658,554
Business permits and licenses	51,839
Community tax certificate	7,489
Annual registration	500
Others	117,763
	₱836,645

Withholding Taxes

The following withholding taxes are categorized into:

	Paid	Payable
Withholding tax on compensation	₱792,601	₱380,954
Expanded withholding tax	783,110	59,857
	₱1,575,711	₱440,811

Tax Assessments

As at December 31, 2021 and December 31, 2020, there are no outstanding tax assessments and tax cases under investigations, litigations nor prosecution in courts or bodies outside the BIR.