

Institute of Corporate Directors, Inc.

(A non-stock, non-profit
association)

Financial Statements

As at and for the years ended December 31, 2023 and 2022



Independent Auditor's Report

To the Board of Trustees and Members of
Institute of Corporate Directors, Inc.
14th Floor, Trident Tower Condominium
H.V. Dela Costa Street, Salcedo Village, Makati City

Report on the Audits of the Financial Statements

Our Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Institute of Corporate Directors, Inc. (the "Association") as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards for Small Entities (PFRS for SE).

What we have audited

The financial statements of the Association comprise:

- the statements of assets, liabilities and fund balances as at December 31, 2023 and 2022;
- the statements of income for the years ended December 31, 2023 and 2022;
- the statements of changes in fund balances for the years ended December 31, 2023 and 2022;
- the statements of cash flows for the years ended December 31, 2023 and 2022; and
- the notes to financial statements, which include a summary of significant accounting policies.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

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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 for SE, 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 PSA 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 PSA, we exercise professional judgment and maintain professional scepticism 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.



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- 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.



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Report on the Bureau of Internal Revenue Requirement

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 BIR Revenue Regulations Nos. 15-2010 and 34-2020 in Note 20 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 supplementary information is the responsibility of management of the Association. The information has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Isla Lipana & Co.

A handwritten signature in black ink, appearing to read 'Carlos Federico C. de Guzman', is written over the printed name.

Carlos Federico C. de Guzman
Partner

CPA Cert. No. 110973

P.T.R. No. 0011285, issued on January 12, 2024, Makati City

TIN 229-481-265

BIR AN: 08-000745-141-2023, issued October 23, 2023; effective until October 22, 2026

BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
April 23, 2024

Institute of Corporate Directors, Inc.
(A non-stock, non-profit association)

Statements of Assets, Liabilities and Fund Balances
As at December 31, 2023 and 2022
(All amounts in Philippine Peso)

	Notes	2023	2022
Assets			
Current assets			
Cash	3	10,834,393	7,551,974
Trade and other receivables, net	4	6,463,458	4,128,900
Short-term investment	5	2,679,000	2,555,000
Prepayments and other current assets	6	791,174	1,233,308
Total current assets		20,768,025	15,469,182
Non-current assets			
Property and equipment, net	7	11,997,966	12,839,953
Intangible assets, net	8	865,863	969,220
Long-term investment	5	2,580,000	2,580,000
Deferred income tax assets, net	19	1,332,367	725,685
Other non-current assets	6	3,019,753	2,512,475
Total non-current assets		19,795,949	19,627,333
Total assets		40,563,974	35,096,515
Liabilities and Fund Balances			
Current liabilities			
Payables and accrued expenses	9	6,723,727	4,865,228
Deferred revenues	10	5,048,552	3,778,477
Total current liabilities		11,772,279	8,643,705
Non-current liabilities			
Loan payable	11	-	1,344,887
Retirement benefit obligation	13	3,171,450	2,291,460
Total non-current liabilities		3,171,450	3,636,347
Total liabilities		14,943,729	12,280,052
Fund balances			
Members' contributions		65,000	65,000
General fund		25,555,245	22,751,463
Total fund balances		25,620,245	22,816,463
Total liabilities and fund balances		40,563,974	35,096,515

(The notes on pages 1 to 16 are integral part of these financial statements)

Institute of Corporate Directors, Inc.
(A non-stock, non-profit association)

Statements of Income
For the years ended December 31, 2023 and 2022
(All amounts in Philippine Peso)

	Notes	2023	2022
Revenues			
Programs	14	30,729,772	28,078,523
Membership dues and contributions	15	7,446,360	5,926,957
Sponsorships	16	4,388,464	985,745
Donations		2,124,324	-
		44,688,920	34,991,225
Other income			
Interest income	3,5	229,216	196,103
Unrealized foreign exchange (loss) gain	3	(16,075)	127,173
		213,141	323,276
Expenses			
Cost of programs and other activities	17	(34,965,494)	(26,258,615)
General and administrative expenses	18	(7,621,242)	(7,228,685)
Interest expense	11	(42,872)	(123,053)
		(42,629,608)	(33,610,353)
Excess of revenues over expenses before tax		2,272,453	1,704,148
Income tax benefit (expense)	19	531,329	(92,359)
Excess of revenues over expenses for the year		2,803,782	1,611,789

(The notes on pages 1 to 16 are integral part of these financial statements)

Institute of Corporate Directors, Inc.
(A non-stock, non-profit association)

Statements of Changes in Fund Balances
For the years ended December 31, 2023 and 2022
(All amounts in Philippine Peso)

	Members' contributions	General fund	Total
Balances at January 1, 2022	65,000	21,139,674	21,204,674
Excess of revenues over expenses for the year	-	1,611,789	1,611,789
Balances at December 31, 2022	65,000	22,751,463	22,816,463
Excess of revenues over expenses for the year	-	2,803,782	2,803,782
Balances at December 31, 2023	65,000	25,555,245	25,620,245

(The notes on pages 1 to 16 are integral part of these financial statements)

Institute of Corporate Directors, Inc.
(A non-stock, non-profit association)

Statements of Cash Flows
For the years ended December 31, 2023 and 2022
(All amounts in Philippine Peso)

	Notes	2023	2022
Cash flows from operating activities			
Excess of revenues over expenses before income tax		2,272,453	1,704,148
Adjustments for:			
Interest income	3,5	(229,216)	(196,103)
Unrealized foreign exchange loss (gain)	3	16,075	(127,173)
Depreciation of property and equipment	7	1,490,770	1,584,964
Amortization of intangible assets	8	156,350	147,566
Interest expense	11	42,872	123,053
Provision for doubtful accounts	4,18	-	169,803
Operating cash flows before working capital changes		3,749,304	3,406,258
Decrease (Increase) in:			
Trade and other receivables	4	(2,334,558)	(1,623,204)
Prepayments and other current assets	6	442,134	(317,642)
Other non-current assets	6	(582,631)	(243,626)
Increase (Decrease) in:			
Payables and accrued expenses	9	1,858,499	17,398
Deferred revenues	10	1,270,075	(1,251,553)
Retirement benefit obligation	13	879,990	403,581
Cash generated from operations		5,282,813	391,212
Interest received from cash in banks	3	4,587	54,939
Net cash from operating activities		5,287,400	269,317
Cash flows from investing activities			
Interest received from investments	5	224,629	141,164
Acquisition of intangible assets	8	(52,993)	(375,786)
Acquisition of property and equipment	7	(648,783)	(600,110)
Acquisition of investments	5	(124,000)	(5,135,000)
Net cash used in investing activities		(601,147)	(5,969,732)
Cash flows from financing activities			
Interest paid on loan	11	(42,872)	(123,053)
Repayment of loan	11	(1,344,887)	(1,350,000)
Net cash used in financing activities		(1,387,759)	(1,473,053)
Net increase (decrease) in cash		3,298,494	(7,173,468)
Cash, January 1		7,551,974	14,598,269
Effect of exchange rate changes on cash		(16,075)	127,173
Cash, December 31	3	10,834,393	7,551,974

(The notes on pages 1 to 16 are integral part of these financial statements)

Institute of Corporate Directors, Inc.

Notes to the Financial Statements

As at and for the years ended December 31, 2023 and 2022

(In the notes, all amounts are shown in Philippine Peso unless otherwise stated)

1 Business information

1.1 General information

Institute of Corporate Directors, Inc. (the "Association") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on January 15, 2004 as a non-stock, non-profit association.

The Association's primary purpose, among others, is to design, develop and foster a common and substantive corporate governance reform agenda that is grounded on professionalism, good governance, corporate ethics, and responsible citizenship; to inculcate, nurture, promote and foster this agenda in business, government, and other institutions in the Asia-Pacific region in service of the broad and common developmental interests of civil society.

The Association is exempt from the payment of income tax on income related to its operations or activities pursuant to Section 30 (F) of the National Internal Revenue Code (NIRC). No part of the excess of revenue over expenses or assets of the Association shall belong to or inure to the benefit of any member, officer or any specific person. However, any income of whatever kind and character from any of the Association's properties, real or personal, or from any activity conducted for profit, regardless of the disposition, shall be subject to income tax.

On May 17, 2018, the Association received a certificate of tax exemption under certificate no. 820-2018 stating that it has proven by its actual operation that its primary purpose falls under Section 30 (F) of the NIRC of 1997, as amended, and is exempt from income tax only on the revenues or receipts on the Grants, Donations and Contributions, and Membership Dues, subject to the Terms and Conditions attached to the certificate provided. The Association is liable, however, to all other taxes other than those not mentioned in the certificate. The Association's tax exemption was issued and approved by the BIR on October 14, 2021, which will be valid for three (3) years.

The Association has its principal and registered office address at 14th Floor Trident Tower Condominium, H.V. Dela Costa Street, Salcedo Village, Makati City.

1.2 Approval of financial statements

These financial statements of the Association were approved and authorized for issuance by the Association's Board of Trustees on April 10, 2024. There were no significant events that occurred from April 10, 2024 until April 23, 2024 requiring adjustment or disclosure in the financial statements.

2 Significant accounting policies

2.1 Basis of preparation

The financial statements of the Association have been prepared on a historical cost basis and in accordance with the Philippine Financial Reporting Standards for Small Entities (PFRS for SE) as approved by the Financial and Sustainability Reporting Standards Council, Board of Accountancy and SEC.

2.2 Functional and presentation currency

The financial statements are presented in Philippine Peso, the Association's functional and presentation currency.

2.3 Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. A financial instrument is recognized when the entity becomes a party to its contractual provisions.

As at each reporting period, the Association has basic financial instruments, consisting of cash, trade receivables, short-term and long-term investments, refundable deposits, payables and accrued expenses (except payable to government agencies) and loan payable. The Association has no complex financial instruments as at each reporting period.

Initial measurement

On initial recognition, a basic financial instrument is measured at transaction price, unless the arrangement is in effect a financing transaction. In this case, it is the present value of the future payment discounted using a market rate of interest for a similar debt instrument.

Subsequent measurement

Basic financial instruments are subsequently measured at amortized cost using effective interest method.

Such investments are subsequently measured at fair value with changes in fair value recognized in profit or loss.

Impairment of financial instruments measured at cost or amortized cost

At each reporting date, the Association assesses whether there is objective evidence of impairment on any financial assets that are measured at cost or amortized cost. Where there is any objective evidence of impairment, an impairment loss is recognized immediately in profit or loss.

The impairment loss is the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate.

Derecognition of financial assets

The Association derecognizes a financial asset when the contractual rights to the cash flows from the assets have expired or are settled, or it has transferred to another party substantially all the risks and rewards of ownership relating to the financial asset.

Derecognition of financial liabilities

The Association derecognizes financial liabilities when these are extinguished - that is, when the obligation is paid, discharged, cancelled or has expired.

2.4 Cash; Investments

Cash represents cash on hand and cash in banks deposits held at call with banks. These are carried in the statements of assets, liabilities and fund balances at face amount or at nominal amount. Deposits held at call with banks earn interest at the prevailing bank deposit rates.

Investment with original maturities of three months or less are classified as cash equivalents; otherwise, they are presented separately in the statement of assets, liabilities and fund balances, and classified as current or non-current assets depending of the maturity period determined from reporting date.

2.5 Trade and other receivables

Trade and other receivables are recognized initially at the transaction price. They are subsequently measured at amortized cost using the effective interest method. A provision for impairment of receivables is established when there is objective evidence that the Association will not be able to collect all amounts due according to the original terms of the receivables. Trade and other receivables are classified in the statements of assets, liabilities and fund balances as current asset when the receivables are expected to be collected within one year of the Association's normal operating cycle, whichever is longer. Otherwise, receivables are classified as non-current assets. Refer to Note 2.3 for relevant accounting policies on trade and other receivables.

2.6 Prepayments

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit as they are consumed in operations or expire with the passage of time. Prepayments are classified in the statements of assets, liabilities and fund balances as current asset when the costs of services related to the prepayments are expected to be incurred within one year or the Association's normal operating cycle, whichever is longer. Otherwise, prepayments are classified as non-current assets.

2.7 Property and equipment

Property and equipment are initially measured and recognized at acquisition cost which comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use. After initial measurement, property and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Association and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation on property and equipment is charged to allocate cost of assets less their residual values over their estimated useful lives, using the straight-line method.

The estimated useful lives of the Association's depreciable assets are as follows:

Office equipment	3 to 5 years
Furniture and fixtures	3 years
Office improvements	3 to 15 years
Office building	25 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal at which time the cost and accumulated depreciation are written-off from the financial statements.

2.8 Intangible assets

Acquired software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over the estimated useful lives, which is five (5) years. Acquired software licenses are classified as part of other non-current assets in the statements of assets, liabilities and fund balances.

The assets' residual values, useful lives and amortization methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of intangible asset is derecognized upon disposal or when no future economic benefits are expected from its use or disposal at which time the cost and accumulated amortization are written-off from the financial statements.

2.9 Impairment of non-financial assets

Property and equipment are assessed at each reporting date to determine whether there is any indication that the assets are impaired. When an impairment indicator is identified, the carrying value of the asset is tested for impairment. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. If the recoverable amount cannot be estimated for an individual asset, the Association estimates the recoverable amount of the cash-generating unit to which the asset belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are independent of the cash flows from other assets within the Association.

If an impairment indicator no longer exists or the recoverable amount has increased subsequently, the Association will determine the amount of impairment loss that can be reversed to the extent that the reversal should not result in a carrying amount of the asset that is higher had no impairment loss was recognized in the prior years.

2.10 Borrowing (or loan payable) and borrowing costs

Borrowings are recognized initially at the transaction price (that is, the present value of cash payable to the bank, including transaction costs). Borrowings are subsequently stated at amortized cost. Interest expense is recognized on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the Association has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Refer to Note 2.3 for relevant accounting policies on borrowings.

All borrowing costs are expensed as incurred.

2.11 Trade and other payables

Trade and other payables are recognized initially at the transaction price and subsequently measured at amortized cost using the effective interest method. Refer to Note 2.3 for relevant accounting policies on trade and other payables.

2.12 Fund balances

To ensure the observance of limitations and restrictions placed on the use of resources available to the Association, the accounts are maintained in accordance with the principles of fund accounting. Under this procedure, resources are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund. Accordingly, all financial transactions have been recorded and reported by fund group.

The fund balances of the Association are reported as follows:

- Members' contributions which represent contributions of members who are incorporators and trustees of the Association; and
- General fund which represents unallocated and unrestricted resources available for the Association's operations.

2.13 Revenue recognition

Revenue is recognized when it is probable that the economic benefit associated with the transaction will flow to the Association and the amount of revenue can be measured reliably.

Revenues from programs

Revenues from programs which arise from various people or organizations for seminars and conferences conducted are recognized and measured in the period the services are provided.

Membership dues and contributions

Membership dues and contributions are generally recognized when earned which usually coincides with collection. Membership dues and contributions collected in advance are recognized as deferred revenue upon receipt of advance payments from members, which are recognized as revenue based on the membership period covered by the payment.

Donation income

Donation income is recognized as revenue when earned which usually coincides with collection.

Sponsorships and grants

Sponsorships and grants received from various funding entities or individuals are recognized as revenue when earned which usually coincides with collection.

Interest and other income

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable.

Other income is recognized when earned or when received.

2.14 Expense recognition

Expenses are recognized in profit or loss when a 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. Expenses are recognized in profit or loss: 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 with income can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statements of assets, liabilities and fund balances as an asset.

Expenses in the statement of income are presented using function of expense method. Program costs refer to costs incurred in the pursuit of the core activities of the Association. General and administrative expenses are expenses incurred in relation to the management and administration of the Association.

2.15 Employee benefits

Retirement benefit obligation

The Association is yet to establish a formal retirement plan for its employees. Thus, the Association's retirement benefit obligation is measured using the accrual approach based on the minimum retirement benefits required under Republic Act (RA) No. 7641, otherwise known as the Retirement Pay Law.

Accrual approach is applied by calculating the expected liability as at reporting date using the current salary of the entitled employees and the employees' years of service, without consideration of future changes in salary rates and service periods.

Retirement benefit expense/income is equivalent to the change in the calculated retirement benefit assets/obligation using the accrual approach during the period and is recognized immediately in the statements of income within general and administrative expenses.

Short-term benefits

The Association recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given by the Association to its employees include mandatory benefits such as social security contributions, short-term compensated absences, bonuses and non-monetary benefits.

Employee bonus

The Association recognized a provision for employee bonuses and an expense for the year based on the performance of the employees during the accounting period. The employee bonus given by the Association will be distributed in the next accounting period subject to BOT approval.

2.16 Related party transactions and balances

A related party transaction is a transfer of resources, services or obligations between the Association and the related party, regardless of whether a price is charged.

Parties are considered related if one party has control, joint control, or significant influence over the other party in making financial and operating decisions. The key management personnel of the Association are also considered to be related parties.

2.17 Provisions

Provisions are recognized when the Association has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably measured. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized in profit or loss.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed and derecognized from the statements of assets, liabilities and fund balances.

2.18 Taxation

Current income tax

The current income tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statements of income because it excludes items of income or expense that are never taxable or deductible.

The Association's current income tax expense is calculated using regular corporate income tax rate (RCIT) or minimum corporate income tax (MCIT) rate, whichever is higher.

Deferred income tax

Deferred income tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred income tax liabilities

Deferred income tax liabilities are generally recognized for all taxable temporary differences.

Deferred income tax assets

Deferred income tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of a deferred income tax asset shall be reviewed at the end of each reporting period. It is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that recognized deferred income tax asset to be utilized.

At the end of each reporting period, the Association reassesses any unrecognized deferred income tax assets. The Association recognizes a previously unrecognized deferred income tax asset to the extent that it has become probable that future taxable profit will allow the deferred income tax asset to be recovered.

Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Deferred income tax assets and liabilities are not discounted. Deferred income tax assets and liabilities are presented under non-current assets and liabilities, respectively.

Current income tax assets and current income tax liabilities, or deferred income tax assets and deferred income tax liabilities are offset if, and only if, the Association has a legally enforceable right to set off the amounts and the entity can demonstrate without undue cost or effort that it plans either to settle on a net basis or to realize the asset and settle the liability simultaneously.

2.19 Events after the reporting date

Post-year end events that provide additional information about the Association's assets, liabilities and fund balances at reporting date (adjusting events) are reflected in the financial statements. Post-year end events that are not adjusting events are disclosed in the notes to the financial statements when material.

3 Cash

Cash as at December 31, 2023 and 2022 consists of:

	2023	2022
Cash in banks	10,814,393	7,531,974
Cash on hand	20,000	20,000
	10,834,393	7,551,974

Cash in banks earn interest at the bank deposit rates ranging from 0.0275% to 0.0750% per annum in 2023 and 2022.

Interest income earned from cash in banks for the year ended December 31, 2023 amounted to P4,587 (2022 - P54,939) (Note 5).

In 2023, the Association recognized unrealized foreign exchange loss amounting to P16,075 (2022 - P127,173 gain).

4 Trade and other receivables, net

Trade and other receivables, net as at December 31, 2023 and 2022 consist of:

	2023	2022
Trade receivables	5,684,107	3,521,770
Less: Allowance for impairment of receivables	(169,803)	(169,803)
	5,514,304	3,351,967
Advances to Institute for Solidarity in Asia, Inc. (ISA)	638,345	381,563
Advances to Center for Excellence in Governance, Inc. (CEG)	253,600	253,600
Other receivables	57,209	141,770
	6,463,458	4,128,900

Trade receivables comprise amounts due from the Association's clients for programs, seminars and conferences conducted by the Association.

The Association recognized provision for impairment of receivables for the year ended December 31, 2023 amounting to nil (2022 - P169,803) (Note 18).

5 Investments

Investments as at December 31, 2023 and 2022 consist of:

	2023	2022
Short-term investment	2,679,000	2,555,000
Long-term investment	2,580,000	2,580,000

In 2022, the short-term and long-term investment earn interest at 3.75% to 6.00% yield and mature on July 12, 2023 and March 4, 2027, respectively.

In 2023, the short-term and long-term investment earn interest at 4.875% to 6.285% yield and mature on July 10, 2024 and March 4, 2027, respectively.

Interest income earned from investments for the year ended December 31, 2023 amounted to P224,629 (2022 - P141,164).

6 Prepayments and other current assets; Other non-current assets

a. Prepayments and other current assets as at December 31, 2023 and 2022 consist of:

	2023	2022
Employees' health insurance coverage	483,594	444,776
Membership dues	144,229	82,445
Creditable value-added tax (VAT)	74,167	51,513
Input VAT	66,880	74,661
Supplies	22,304	71,429
Advance payments	-	500,000
Subscriptions	-	8,484
	791,174	1,233,308

In 2022, advance payments mainly relate to the down payment on hotel venue for the ASEAN Corporate Governance Scorecard Golden Arrow Awarding which was held in January 2023.

b. Other non-current assets as at December 31, 2023 and 2022 consist of:

	2023	2022
Creditable withholding tax	2,748,781	2,241,503
Investment in CEG	167,000	167,000
Refundable deposits	103,972	103,972
	3,019,753	2,512,475

7 Property and equipment, net

Property and equipment, net as at December 31, 2023 and 2022 are as follows:

	Office improvements	Office equipment	Furniture and fixtures	Office building	Motor vehicle	Total
At January 1, 2022						
Cost	5,539,174	3,817,662	909,112	18,500,000	-	28,765,948
Accumulated depreciation	(3,810,390)	(3,376,639)	(909,112)	(6,845,000)	-	(14,941,141)
Net carrying value	1,728,784	441,023	-	11,655,000	-	13,824,807
For the year ended December 31, 2022						
Opening net carrying value	1,728,784	441,023	-	11,655,000	-	13,824,807
Additions	87,250	512,860	-	-	-	600,110
Depreciation	(420,717)	(424,247)	-	(740,000)	-	(1,584,964)
Closing net carrying value	1,395,317	529,636	-	10,915,000	-	12,839,953
At December 31, 2022						
Cost	5,626,424	4,330,522	909,112	18,500,000	-	29,366,058
Accumulated depreciation	(4,231,107)	(3,800,886)	(909,112)	(7,585,000)	-	(16,526,105)
Net carrying value	1,395,317	529,636	-	10,915,000	-	12,839,953
For the year ended December 31, 2023						
Opening net carrying value	1,395,317	529,636	-	10,915,000	-	12,839,953
Additions	-	575,658	-	-	73,125	648,783
Depreciation	(340,178)	(396,373)	-	(740,000)	(14,219)	(1,490,770)
Closing net carrying value	1,055,139	708,921	-	10,175,000	58,906	11,997,966
At December 31, 2023						
Cost	5,626,424	4,906,180	909,112	18,500,000	73,125	30,014,841
Accumulated depreciation	(4,571,285)	(4,197,259)	(909,112)	(8,325,000)	(14,219)	(18,016,875)
Net carrying value	1,055,139	708,921	-	10,175,000	58,906	11,997,966

Depreciation expenses for the years ended December 31 are charged are as follows:

	Notes	2023	2022
Program costs	17	1,033,586	1,124,813
General and administrative expenses	18	457,184	460,151
		1,490,770	1,584,964

Management believes that there are no impairment indicators identified over property and equipment as at December 31, 2023 and 2022.

8 Intangible asset, net

Movements in the carrying amount of intangible asset (i.e. software licenses) as at December are as follows:

	Note	2023	2022
As at January 1			
Cost		1,116,786	-
Accumulated amortization		(147,566)	-
Net carrying value		969,220	-
For the years ended December 31			
Opening net carrying value		969,220	-
Acquisition		52,993	1,116,786
Amortization	18	(156,350)	(147,566)
Closing net carrying value		865,863	969,220
As at December 31			
Cost		1,169,779	1,116,786
Accumulated amortization		(303,916)	(147,566)
Net carrying value		865,863	969,220

Management believes that there is no indication of impairment on software licenses as at December 31, 2023 and 2022.

9 Payables and accrued expenses

The Association's payables and accrued expenses as at December 31 consist of:

	2023	2022
Accrued expenses	3,736,136	2,422,523
Deferred output VAT	1,142,442	806,421
Provision for employee bonuses	1,040,385	1,350,442
Payable to government agencies	804,764	285,842
	6,723,727	4,865,228

Accrued expenses mainly pertain to amounts owed for professional fees, seminar venues and materials, utilities, and travel.

Deferred output VAT represents the VAT portion of the uncollected invoices.

Provision for employee bonuses pertain to the bonuses and discretionary incentives given to the employees as rewards for boosting the Association's performance and reaching milestones.

Payable to government agencies consist of withholding taxes and payroll contributions.

10 Deferred revenues

Deferred revenues as at December 31 consist of:

	2023	2022
Membership dues	2,912,363	2,467,318
Programs	2,136,189	1,311,159
	5,048,552	3,778,477

Membership dues for 2023 pertain to advance payment of members for their 2024 membership dues (2022 - 2023 and 2024 membership dues). The Association offers 5% early bird discount for membership dues to attract members to pay their dues in advance.

Programs pertain to advance payments for various programs expected to be held in the succeeding year.

11 Loan payable

In March 2012, the Association entered into an agreement (Contract to Sell) with Union Bank of the Philippines (UBP of seller) to buy the present office condominium unit containing an area of 521.12 square meters for a purchase price of P37,000,000.

The total reservation fee and down payment paid amounted to P3,700,000. The balance of P33,300,000 is payable over 15 years, with a fixed interest rate of 11% per annum, in equal monthly instalments of P378,487 starting June 16, 2012.

In October 2013, the Contract to Sell was amended to include the Institute for Solidarity in Asia, Inc. (ISA) as a buyer. Under the agreement, the seller reserves its ownership of the condominium unit, title to which will remain in the name of the seller and shall not pass to the buyers until after full payment of the purchase price and full performance by the buyers of their obligation under the agreement. Per agreement between the Association and ISA, the total amount of the Contract to Sell shall be paid 50/50 by each party until the loan is fully paid.

Once the buyers have fulfilled their obligations, ownership of the condominium unit will be under the names of the Association and ISA (together, the "buyers"). Likewise, the buyers will share equally in all costs and expenses related to the office building, including, but not limited to, amortizations of the purchase price, interest, other capital expenditures, association dues, utilities and real estate property taxes.

On July 2, 2020, the following amendments on the Associations' agreement with UBP were approved:

- Unpaid principal payments from March 2020 to February 2021 to be paid on best-efforts basis on or before February 16, 2021.
- Monthly interest payments of P20,000 on the 16th of each month starting March 2021 up to May 2027; with any and all unpaid monthly interest due computed at 5.50% to be accumulated and paid one-time together with the principal on maturity date, May 2027.

In 2022, the Association and ISA executed a Memorandum of Understanding (MOU) to establish the payment arrangement between the parties in the event that either party fails to pay its share of the loan on its maturity date in May 2027. Under the MOU:

- a. The Association shall continue to pay its amortization share of P150,000 per month effective May 2022, and ISA shall likewise pay at least P100,000 per month effective June 2022, for the principal loan repayment and the corresponding monthly interest payment until their respective 50% share of the loan is fully paid.
- b. In the event that the Association or ISA fails to pay its share of the loan on or before maturity date in May 2027, the party who has not defaulted shall pay the unpaid balance of the loan on due date. Consequently, the paying party steps in as a creditor of the defaulting party. The terms and conditions of the loan assumed by the paying party shall be subject to the agreement between the parties.

In 2023, the Association fully paid its share of the loan. Thus, as at December 31, 2023, the balance of loan payable amounting to P6,430,729, represented solely the share of ISA. As at December 31, 2022, the loan payable had a balance of P6,689,773, of which the Association's share was P1,344,887.

The movements in loan payable presented in the statements of assets, liabilities and fund balances for the years ended December 31, 2023 and 2022 are as follows:

	2023	2022
Beginning of year	1,344,887	2,694,887
Repayment during the year	(1,344,887)	(1,350,000)
End of year	-	1,344,887

For the years ended December 31, 2023, interest expense amounted to P42,872 (2022 - P123,053).

12 Related party transactions

Remuneration of Key Management Personnel

For the year ended December 31, 2023, key management compensation amounted to P2,742,541 (2022 - P3,250,000).

In 2023 and 2022, the Association has no other short-term benefits of key management personnel. There are no outstanding balances due from or due to key management personnel as at each reporting period.

13 Retirement benefit obligation

The Association provides for the estimated retirement benefits required to be paid under Republic Act (RA) No. 7641, the Retirement Pay Law. Under the said Law, the retirement benefit obligation is computed as one-half of monthly salary for every year of service, a fraction of six months being considered as one whole year. The term one-half of monthly salary shall mean 15 days plus the one-twelfth of the 13th month and the cash equivalent of not more than five days service incentive leaves.

Retirement benefit obligation recognized in the statements of assets, liabilities and fund balances as at December 31, 2023 amounted to P3,171,450 (2022 - P2,291,460).

The retirement benefit expense recognized in the statements of income under general and administrative expenses for the year ended December 31, 2023 amounted to P879,990 (2022 - P403,581) (Note 18).

14 Programs

Program revenues for the year ended December 31, 2023 amounting to P30,729,772 (2022 - P28,078,523) are earned from public and exclusive courses, as well as written reports, rendered by the Association.

15 Membership dues and contributions

Membership dues and contributions for the year ended December 31, 2023 amounting to P7,446,360 (2022 - P5,926,957) are payments made by the Association's Fellow, Graduate and Associate members.

16 Sponsorships

In 2023, the Association received various sponsorships amounting to P4,388,464 (2022 - P985,745). In 2023, sponsorships mainly pertain to the ASEAN Corporate Governance Scorecard Golden Arrow Awarding.

17 Cost of programs and other activities

The components of program costs for the years ended December 31 are as follows:

	Note	2023	2022
Salaries and wages		15,470,950	14,026,822
Corporate governance scorecard expenses		6,720,524	3,068,652
Professional fees		5,233,366	4,477,477
Seminars, conferences and exhibits		4,435,842	1,484,012
Depreciation	7	1,033,586	1,124,813
Marketing		557,787	715,621
Training and development		550,692	544,880
Utilities		492,004	313,604
Transportation and travel		97,907	24,304
Membership dues and subscription		87,339	185,777
Office supplies		58,486	38,644
Miscellaneous		227,011	254,009
		34,965,494	26,258,615

18 General and administrative expenses

The components of general and administrative expenses for the years ended December 31 are as follows:

	Notes	2023	2022
Salaries and wages		3,706,561	3,676,924
Retirement benefit expense	13	879,990	403,581
Professional fees		643,715	380,902
Membership dues and subscription		614,558	471,177
Utilities		570,709	575,202
Depreciation	7	457,184	460,151
Transportation and travel		331,616	335,394
Amortization of intangible assets	8	156,350	147,566
Taxes and licenses		72,822	72,522
Repairs and maintenance		69,207	248,011
Training and development		68,435	103,272
Office supplies		22,918	41,844
Outside services		19,321	121,424
Provision for doubtful accounts	4	-	169,803
Miscellaneous		7,856	20,912
		7,621,242	7,228,685

19 Income taxes

The details of income tax benefit (expense) for the years ended December 31, 2023 and 2022 are as follows:

	2023	2022
Current income tax expense	(75,353)	(176,834)
Deferred income tax benefit	606,682	84,475
	531,329	(92,359)

As disclosed in Note 1.1, the Association is subject to normal tax for activities not mentioned in the certificate of tax exemption.

As provided under the Act, the Association shall pay the MCIT or the normal tax, whichever is higher, for the taxable income derived from the taxable activities. Any excess of MCIT over the normal income tax shall be carried forward on an annual basis and credited against the normal income tax for the next three succeeding taxable years. MCIT shall be imposed beginning on the fourth taxable year immediately following the taxable year in which such corporation started its business operations.

Details of MCIT as at December 31, 2023 (2022 - nil) follow:

Year incurred	Year of expiration	2023
2023	2026	75,353

NOLCO recognized as at December 31, 2023 can be carried over as a deduction from gross taxable income in the next three (3) consecutive years until 2026 (2022 - nil).

Year incurred	Year of expiration	2023
2023	2026	2,070,639
Tax rate		20%
		414,127

A reconciliation of the provision for income tax applicable to income before tax computed at the statutory tax rate to the income tax (benefit) expense at the Association's effective tax rate for the years ended December 31 is summarized below:

	2023	2022
Income tax at statutory rate at 20%	454,491	340,830
Adjustments for:		
Interest income subjected to final tax	(45,843)	(39,221)
Net income from exempt activities	(939,977)	(8,661)
Non-deductible expenses	-	14,693
Recognition of previously unrecognized DIT asset	-	(215,282)
Income tax (benefit) expense	(531,329)	92,359

The components of DIT assets, net for the years ended December 31 are as follows:

	2023	2022
Retirement benefit obligation	634,290	458,292
Provision for employee bonuses	208,077	270,088
Allowance for doubtful accounts	33,961	33,961
Unrealized foreign exchange gain	(33,441)	(36,656)
Minimum Corporate Income Tax (MCIT)	75,353	-
Net operating loss carryover (NOLCO)	414,127	-
	1,332,367	725,685

Based on management's assessment, the tax benefit of DIT assets, net as at December 31 are expected to be realized from the financial reporting date as follows:

	2023	2022
To be recovered within 12 months	698,077	267,393
To be recovered after 12 months	634,290	458,292
	1,332,367	725,685

Management regularly reviews the recoverability of the DIT assets recognized. Realization of future tax benefit related to DIT assets is dependent on the Association's ability to generate future taxable income during the periods in which these are expected to be recovered. The Association has considered these factors in reaching a conclusion as to the amount of DIT assets recognized as at December 31, 2023 and 2022.

Ease of Paying Taxes Act

On January 5, 2024, the Ease of Paying Taxes (EOPT) Act was signed into law by President Ferdinand Marcos, Jr. The EOPT Act introduced significant amendments to the National Internal Revenue Code of 1997 which are intended to protect and safeguard taxpayer rights and welfare, to modernize tax administration by providing mechanisms that encourage easy compliance at the least cost and resources, and to update the tax system and adopt best practices. It took effect on January 22, 2024 (i.e., 15 days after its publication in the Official Gazette or in a newspaper of general circulation).

The amendments include the following, among others:

- File-and-pay anywhere mechanism. Taxes shall be paid either electronically or manually at the time the return is filed.
- Classification of taxpayers into micro, small, medium and large taxpayers.
- Withholding of tax on income payments only when payable.
- Imposing value-added tax (VAT) on services based on gross sales, no longer on gross receipts.
- VAT invoices are sufficient to substantiate input VAT arising from the purchase of both goods and services.
- Removal of 'business style' as a VAT invoicing requirement.
- Removal of withholding tax as a requirement for deductibility of income payments.

Of these amendments, Management assessed that imposition of VAT on gross sales instead of gross receipts will have an impact on the Association's operations and cash flow management since the VAT will now be due upon issuance of the invoice, regardless of the timing of collection.

As at the date of approval of the financial statements, the implementing rules and regulations are yet to be issued by the Bureau of Internal Revenue. Management is currently reviewing the implementation of the EOPT Act and will revisit its policies in order to comply with the new VAT requirements.

20 Supplementary information required by the Bureau of Internal Revenue (BIR)

The following supplementary information is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

Revenue Regulations (RR) 15-2010

(i) Output value-added tax (VAT)

Details of Association's output VAT declared in 2023 are as follows:

	Gross amount of receipts	Output VAT
Vatable receipts	30,003,769	3,600,452
Sales to government	2,894,143	347,297
	32,897,912	3,947,749

(ii) Input VAT

Details of the Association's input VAT claimed for the year ended December 31, 2023 are as follows:

Balance at January 1	-
Add: Current year's domestic purchases/payments for:	
Goods other than for resale or manufacture	239,476
Services lodged under other accounts	953,613
Total available input VAT	1,193,089
Less: Claims for output VAT	(1,193,089)
Balance, December 31	-

(iii) Importations

The Association did not import any goods for the year ended December 31, 2023, hence did not pay any custom duties and tariff fees.

(iv) Excise tax

The Association is not engaged in the manufacture or production of certain specified goods or articles subject to excise tax for domestic sale or consumption or for any other disposition.

(v) Documentary stamp tax

The Association has no transactions for the year ended December 31, 2023 pertaining to acceptance, assignment, sale or transfer of an obligation, right, or property requiring payment of documentary stamp tax.

(vi) *All other taxes and licenses*

All other local and national taxes paid for the year ended December 31, 2023 consist of:

Business permits	10,413
Annual registration	500
Others	61,909
	<u>72,822</u>

(vii) *Withholding taxes*

Details of the Association's withholding taxes paid and accrued for the year ended December 31, 2023 are as follows:

	Paid	Accrued	Total
Withholding tax on compensation	1,938,118	217,496	2,155,614
Expanded withholding tax	609,479	57,939	667,418
	<u>2,547,597</u>	<u>275,435</u>	<u>2,823,032</u>

(viii) *Tax assessments/cases*

There are no outstanding tax assessments with the BIR and/or tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside of the BIR as at December 31, 2023.

RR 34-2021

On December 18, 2021, BIR issued RR No. 34-2021, Prescribing the Guidelines and Procedures for the Submission of BIR Form No. 1709, Transfer Pricing Documentation (TPD) and other Supporting Documents, Amending for this Purpose the Pertinent Provisions of RR Nos. 19-2021 and 21-2002, as amended by RR No. 15-2010, to streamline the guidelines and procedures for the submission of BIR Form No. 1709, TPD and other supporting documents by providing safe harbors and materiality thresholds. Section 2 of the RR provides the list of taxpayers that are required to file and submit the RPT Form, together with the Annual Income Tax Return.

The Association is not covered by the requirements and procedures for related party transactions provided under this RR as it does not meet any criteria of taxpayers prescribed in Section 2 of the RR.