Institute of Corporate Directors, Inc.

(A non-stock, non-profit association)

Financial Statements
As at and for the years ended December 31, 2021 and 2020

Isla Lipana & Co.

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, 2021 and 2020, 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 Small Entities).

What we have audited

The financial statements of the Association comprise:

- the statements of assets, liabilities and fund balances as at December 31, 2021 and 2020;
- the statements of income for the years ended December 31, 2021 and 2020;
- the statements of changes in fund balances for the years ended December 31, 2021 and 2020;
- the statements of cash flows for the years ended December 31, 2021 and 2020; 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.

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 Small Entities, 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 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 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 Bureau of Internal Revenue (BIR) 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 19 to the financial statements is presented for purposes of filing with the BIR and is not a required part of the basic financial statements. Such 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 information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Isla Lipana & Co.

Carlos Federico C. de Guzman
Partner
CPA Cert. No. 110973
P.T.R. No. 0011285, issued on January 6, 2022, Makati City
SEC A.N. (individual) as general auditors 110973-SEC, Category A;
valid to audit 2021 to 2025 financial statements
SEC A.N. (firm) as general auditors 0142-SEC, Category A;
valid to audit 2020 to 2024 financial statements
TIN 229-481-265
BIR A.N. 08-000745-141-2020, issued on November 4, 2020; effective until November 3, 2023
BOA/PRC Reg. No. 0142, effective until January 21, 2023

Makati City
March 9, 2022

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

Statements of Assets, Liabilities and Fund Balances
As at December 31, 2021 and 2020
(All amounts in Philippine Peso)

	Notes	2021	2020
ASSETS			
Current assets			
Cash	3	14,598,269	7,850,862
Trade and other receivables	4	2,675,499	2,652,731
Prepayments and other current assets	5	1,656,666	1,836,831
Total current assets		18,930,434	12,340,424
Non-current assets			
Property and equipment, net	6	13,824,807	15,264,697
Deferred income tax assets, net	18	641,210	-
Other non-current assets	5	2,268,849	2,451,236
Total non-current assets		16,734,866	17,715,933
Total assets		35,665,300	30,056,357
LIABILITIES AND FUND BALANCES			
Current liabilities			
Payables and accrued expenses	7	4,847,830	5,284,340
Deferred revenues	8	5,030,030	2,427,442
Loans payable	9	-	1,300,000
Total current liabilities		9,877,860	9,011,782
Non-current liabilities			
Loans payable - net of current portion	9	2,694,887	4,044,887
Retirement benefit obligation	11	1,887,879	1,076,412
Total non-current liabilities		4,582,766	5,121,299
Total liabilities		14,460,626	14,133,081
Fund balances			
Members' contributions		65,000	65,000
General fund		21,139,674	15,858,276
Total fund balances		21,204,674	15,923,276
Total liabilities and fund balances		35,665,300	30,056,357

The notes on pages 1 to 16 are an 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, 2021 and 2020
(All amounts in Philippine Peso)

	Notes	2021	2020
Revenues			
Programs	12	27,878,028	15,940,458
Membership dues and contributions	13	6,238,178	5,982,789
Sponsorships	15	973,214	780,357
Donations		135,000	-
Grants	14	-	1,000,000
		35,224,420	23,703,604
Other income (loss), net			
Unrealized foreign exchange gain (loss)	3	56,108	(71,775)
Interest income	3	7,844	4,923
		63,952	(66,852)
Expenses			
Program costs	16	(20,697,176)	(15,827,345)
General and administrative expenses	17	(8,925,680)	(6,920,602)
Interest expense	9	(189,967)	(301,035)
		(29,812,823)	(23,048,982)
Excess of revenues over expenses before tax		5,475,549	587,770
Income tax expense	18	(194,151)	(22,354)
Excess of revenues over expenses for the year		5,281,398	565,416

The notes on pages 1 to 16 are an 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, 2021 and 2020
(All amounts in Philippine Peso)

	Members' contributions	General fund	Total
Balances at January 1, 2020	65,000	15,292,860	15,357,860
Excess of revenues over expenses for the year	-	565,416	565,416
Balances at December 31, 2020	65,000	15,858,276	15,923,276
Excess of revenues over expenses for the year	-	5,281,398	5,281,398
Balances at December 31, 2021	65,000	21,139,674	21,204,674

The notes on pages 1 to 16 are an 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, 2021 and 2020
(All amounts in Philippine Peso)

	Notes	2021	2020
Cash flows from operating activities			
Excess of revenues over expenses before income tax		5,475,549	587,770
Adjustments for:			
Interest income	3	(7,844)	(4,923)
Unrealized foreign exchange (gain) loss	3	(56,108)	71,775
Depreciation	6	1,672,926	1,662,814
Interest expense	9	189,967	301,035
Write-off of CWT	17	-	28,000
Operating cash flows before working capital changes		7,274,490	2,646,471
(Increase) decrease in:			
Trade and other receivables	4	(22,768)	3,280,413
Prepayments and other current assets	5	180,165	(690,365)
Other non-current assets	5	646,866	(512,830)
Increase (decrease) in:			
Payables and accrued expenses	7	(436,510)	(1,322,569)
Deferred revenues	8	2,602,588	165,313
Due to a related party	10	-	(707,340)
Retirement benefit obligation	11	811,467	642,921
Cash generated from operations		11,056,298	3,502,014
Income tax paid		(1,299,840)	-
Interest received	3	7,844	4,923
Net cash provided by operating activities		9,764,302	3,506,937
Cash flows from investing activity			
Acquisitions of property and equipment	6	(233,036)	(53,428)
Cash flows from financing activities			
Interest paid on loans	9	(189,967)	(301,035)
Repayments of loans	9	(2,650,000)	(173,255)
Net cash used in financing activities		(2,839,967)	(474,290)
Net increase in cash		6,691,299	2,979,219
Cash, January 1		7,850,862	4,943,418
Effect of exchange rate changes on cash	3	56,108	(71,775)
Cash, December 31	3	14,598,269	7,850,862

The notes on pages 1 to 16 are an integral part of these financial statements.

Institute of Corporate Directors, Inc.
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Notes to the Financial Statements
As at and for the years ended December 31, 2021 and 2020
(In the notes, all amounts are shown in Philippine Peso unless otherwise stated)

Note 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 until 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 Impact of COVID-19 pandemic

Due to the impact of COVID-19 pandemic and the government's declaration of lockdown starting March 15, 2020, the Association immediately adopted a work-from-home arrangement for its employees. To sustain the Association's advocacies and presence in the market, free virtual trainings, were launched in April 2020. Starting August 2020, the Association offered paid and free virtual trainings and continues to provide these as at reporting date.

Beginning April 2020, all training programs of the Association were conducted virtually.
On January 19, 2021, the Association launched the "Re-engage with Us" program that will run until March 31, 2021 to help members who are affected by the pandemic by giving discounts on their 2018 to 2021 unpaid contributions. As a result, members' contributions were collected and some even advanced for 2021 and 2022.

In 2022, the Association will continue to offer its virtual/online public and exclusive trainings until the Philippine Government allows face-to-face or in-person mass gatherings. The Association will also continue with its membership recruitment and target more on Associates.

The Association continues to assess the overall impact of the situation on the Association's activities and takes appropriate and timely actions to minimize any adverse financial impacts arising from the COVID-19 pandemic.

1.3 Approval of the financial statements

The financial statements of the Association were approved and authorized for issuance by the Board of Trustees on March 9, 2022.

Note 2 - Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

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 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, refundable deposits, payables and accrued expenses (except payable to government agencies) and loans 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 (including transaction costs), unless the arrangement is in effect a financing transaction. In this case, it is measured at 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 the effective interest rate method.

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 discharged or, cancelled or has expired.

2.4 Cash

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.

2.5 Trade and other receivables

Trade 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 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 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 their accumulated depreciation are written-off from the financial statements.

2.8 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.

2.9 Borrowings (or loans 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.

2.10 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.

2.11 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 represents 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.

2.12 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 recognized when earned.

Sponsorships and grants

Sponsorships and grants received from various funding agencies are recognized in the period when received.

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.

2.13 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.

Fund expenses recognition

Expenses are recognized when intended project costs and expenses are incurred.

2.14 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.

2.15 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.

2.16 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.

2.17 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.

2.18 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.

Note 3 - Cash

Cash as at December 31 consists of:

	2021	2020
Cash in banks	14,578,269	7,830,862
Cash on hand	20,000	20,000
	14,598,269	7,850,862

Cash in banks earn interest at the bank deposit rates ranging from 0.0275% to 0.10% per annum for the year ended December 31, 2021 (2020 - 0.10%).

Interest income earned from cash in banks for the year ended December 31, 2021 amounted to P7,844 (2020 - P4,923).

As at December 31, 2020 and 2021, the Association has foreign currency denominated cash in banks. Unrealized foreign exchange gain for the year ended December 31, 2021 amounted to P56,108 (2020 - P71,775 loss).

Note 4 - Trade and other receivables

Trade and other receivables as at December 31 consist of:

	2021	2020
Trade receivables	2,197,861	2,503,038
Advances to Center for Excellence in Governance, Inc. (CEG)	253,600	-
Advances to Institute for Solidarity in Asia, Inc. (ISA)	162,158	52,211
Other receivables	61,880	97,482
	2,675,499	2,652,731

Trade receivables comprise amounts due from the Association's clients and others relative to carrying out activities for the programs, seminars and conferences conducted by the Association.

In 2021, advances to CEG pertain to advances for working capital purposes.

Note 5 - Prepayments and other current assets; Other non-current assets

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

	2021	2020
Prepaid expenses		
Subscriptions	812,429	534,432
Employees' health insurance coverage	388,886	332,292
Membership dues	207,894	145,242
Advance payments	192,583	574,789
Creditable VAT	54,874	54,575
Office supplies	-	113,434
Input value-added tax (VAT)	-	82,067
	1,656,666	1,836,831

Advance payments mainly relate to the CG Conference that was postponed in 2020 due to the ongoing pandemic. As at reporting date, the CG Conference is expected to be held in 2022.

Subscriptions mainly pertain to the down payment for the Xscribe software subscriptions amounting to P741,000 as at December 31, 2021 (2020 - P441,000).

b. Other non-current assets as at December 31 consist of:

	2021	2020
Creditable withholding tax	1,997,877	2,347,264
Investment in CEG	167,000	-
Refundable deposits	103,972	103,972
	2,268,849	2,451,236

Note 6 - Property and equipment, net

Property and equipment, net as at and for the years ended December 31 are as follows:

	Office improvements	Office equipment	Furniture and fixtures	Office building	Total
At January 1, 2020					
Cost	5,521,316	3,549,056	909,112	18,500,000	28,479,484
Accumulated depreciation	(2,918,058)	(2,416,090)	(906,254)	(5,364,999)	(11,605,401)
Net carrying value	2,603,258	1,132,966	2,858	13,135,001	16,874,083
For the year ended December 31, 2020					
Opening net carrying value	2,603,258	1,132,966	2,858	13,135,001	16,874,083
Additions	17,858	35,570	-	-	53,428
Depreciation	(423,440)	(496,515)	(2,858)	(740,001)	(1,662,814)
Closing net carrying value	2,197,676	672,021	-	12,395,000	15,264,697
At December 31, 2020					
Cost	5,539,174	3,584,626	909,112	18,500,000	28,532,912
Accumulated depreciation	(3,341,498)	(2,912,605)	(909,112)	(6,105,000)	(13,268,215)
Net carrying value	2,197,676	672,021	-	12,395,000	15,264,697
For the year ended December 31, 2021					
Opening net carrying value	2,197,676	672,021	-	12,395,000	15,264,697
Additions	-	233,036	-	-	233,036
Depreciation	(468,892)	(464,034)	-	(740,000)	(1,672,926)
Closing net carrying value	1,728,784	441,023	-	11,655,000	13,824,807
At December 31, 2021					
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

Depreciation expense for the years ended December 31 are charged to program costs and general and administrative expenses as follows:

	Notes	2021	2020
Program costs	16	1,177,619	1,330,251
General and administrative expenses	17	495,307	332,563
		1,672,926	1,662,814

Management believes that there are no impairment indicators identified over property and equipment as at December 31, 2021 and 2020.

Note 7 - Payables and accrued expenses

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

	2021	2020
Provision for employee bonuses	2,450,694	403,813
Accrued expenses	1,471,052	3,744,750
Deferred output VAT	699,062	731,351
Payable to government agencies	227,022	404,426
	4,847,830	5,284,340

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

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.

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

Note 8 - Deferred revenues

Deferred revenues as at December 31 consist of:

	2021	2020
Membership dues	3,553,481	2,427,442
Programs	1,476,549	-
	5,030,030	2,427,442

Membership dues for 2021 amounted to P3,553,481 (2020 - P2,427,442) which pertains to advance payment of members for their 2022 and 2023 membership dues (2020 - 2021 and 2022 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 Sustainability Strategy and Reporting, Professional Directors Program and Corporate Governance Orientation Program. As at reporting date, these programs are expected to be held in 2022.

Note 9 - Loans payable

Loans payable as at December 31 consist of:

	2021	2020
Current	-	1,300,000
Non-current	2,694,887	4,044,887
	2,694,887	5,344,887

In March 2012, the Association entered into an agreement (Contract to Sell) with Union Bank of the Philippines (UBP) 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 installments 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 buyer. Under the agreement, UBP reserves its ownership of the condominium unit, title to which will remain in the name of the seller and shall not pass to the buyer until after full payment of the purchase price and full performance by the buyer of its obligation under the agreement.

Ownership of the above office will be split equally between the Association and ISA (the "Associations"). Likewise, the Associations will share equally in all costs and expenses related to the office building, including, but not limited to, amortizations of the purchase price, interest, 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:

1. Unpaid principal payments from March 2020 to February 2021 to be paid on best-efforts basis on or before February 16, 2021.
2. 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.

For the year ended December 31, 2021, the interest rate was 5.5% (2020 - 5.50% to 7.29%) and interest expense amounted to P189,967 (2020 - P301,035).

As at December 31, 2021, the outstanding balance of loans payable amounted to P8,039,774 (2020 - P10,689,774), of which P2,694,887 (2020 - P5,344,887), represents the Association's share.

The movements in loans payable presented in the statements of assets, liabilities and fund balances and statements of cash flows for the years ended December 31 are as follows:

	2021	2020
Beginning of year	5,344,887	5,518,142
Repayment during the year	(2,650,000)	(173,255)
End of year	2,694,887	5,344,887

Note 10 - Related party transactions

Remuneration of Key Management Personnel

For the year ended December 31, 2021, key management compensation amounted to P2,918,155 (2020 - P2,717,262).

For the years ended December 31, 2021 and 2020, the Association has no 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.

Note 11 - 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, 2021 amounts to P1,887,879 (2020 - P1,076,412).

The retirement benefit expense recognized in the statements of income under general and administrative expenses for the year ended December 31, 2021 amounted to P811,467 (2020 - P642,921) (Note 17).

Note 12 - Programs

Program revenues for the year ended December 31, 2021 amounting to P27,878,028 (2020 - P15,940,458) are earned from public and exclusive courses, as well as written reports, rendered by the Association.

Note 13 - Membership dues and contributions

Membership dues and contributions for the year ended December 31, 2021 amounting to P6,238,178 (2020 - P5,982,789) are payments made by Fellows, Graduates and Associates members.

Note 14 - Grants

For the year ended December 31, 2021, the Association did not receive any grant (2020 - P1,000,000).

Note 15 - Sponsorships

In 2021, the Association received various sponsorships amounting to P973,214 (2020 - P780,357).

Note 16 - Program costs

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

	Note	2021	2020
Salaries and wages		8,421,119	5,313,094
Professional fees		7,890,315	5,255,674
Corporate governance scorecard expenses		1,648,023	1,452,418
Depreciation	6	1,177,619	1,330,251
Seminars, conferences and exhibits		434,434	1,219,500
Marketing		391,596	132,322
Utilities		178,989	483,597
Training and development		153,703	36,402
Membership dues and subscription		147,277	513,730
Office supplies		74,188	81,265
Transportation and travel		-	2,970
Miscellaneous		179,913	6,122
		20,697,176	15,827,345

Note 17 - General and administrative expenses

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

	Notes	2021	2020
Salaries and wages		4,728,808	4,373,899
Professional fees		1,002,083	501,668
Retirement benefit expense	11	811,467	642,921
Utilities		554,542	139,504
Membership dues and subscription		388,667	102,494
Depreciation	6	495,307	332,563
Transportation and travel		192,322	51,865
Repairs and maintenance		174,340	520,356
Outside services		127,548	121,881
Office supplies		82,102	18,563
Taxes and licenses		78,509	72,722
Training and development		68,824	-
Written-off assets		-	28,000
Miscellaneous		221,161	14,166
		8,925,680	6,920,602

Note 18 - Income taxes

The details of income tax expense in the statement of income for the years ended December 31 are as follows:

	2021	2020
Current income tax expense	1,299,840	44,212
Deferred income tax benefit	(1,105,689)	(21,858)
	194,151	22,354

Deferred income tax (DIT)

The components of DIT asset for the year ended December 31, 2021 (2020 - nil) are as follows:

Provision for employee bonuses	490,139
Retirement benefit obligation	162,293
Unrealized foreign exchange gain	(11,222)
	641,210

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

Year of incurrence	Year of expiry	2021	2020
2018	2021	239,256	239,256
2019	2022	181,011	181,011
2020	2023	44,212	44,212
		464,479	464,479
Application of MCIT		(464,479)	-
Unrecognized DIT asset		-	464,479

Based on management's assessment, the tax benefit of DIT assets and liabilities as at December 31, 2021 (2020 - nil) are expected to be realized from the financial reporting date as follows:

DIT assets, net	
- To be recovered within 12 months	478,917
- To be recovered after 12 months	162,293
	641,210

The movements in the DIT assets for the year ended December 31, 2021 (2020 - nil) are as follows:

Beginning of year	-
(Charged) credited to profit or loss	
Provision for employee bonus	490,139
Retirement benefit obligation	162,293
Unrealized foreign exchange gain	(11,222)
End of year	641,210

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, 2021 (2020 - unrecognized). Management regularly reviews the recoverability of the DIT assets recognized.

Current income tax

On March 26, 2021, Republic Act No.11534, otherwise known as Corporate Recovery and Tax Incentives for Enterprises (CREATE), was signed into law. Among the salient provisions of CREATE include changes to the Corporate Income Tax (CIT) as follows:

- RCIT rate of 20% (from 30%) shall be applicable to domestic corporations with net taxable income not exceeding P5 million and with total assets not exceeding P100 million (excluding land on which the business entity's office, plant and equipment are situated);
- RCIT rate of 25% (from 30%) shall be applicable to all other domestic and foreign corporations; and
- For the period beginning July 1, 2020 until June 30, 2023, the MCIT rate shall be 1%, instead of 2%.

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

	2021	2020
Income tax at statutory rate at 20% / 30%	1,095,110	176,331
Adjustments for:		
Non-deductible expenses	113,062	9,016
Interest income subjected to final tax	(1,569)	(1,477)
Recognition of previously unrecognized MCIT	(464,479)	-
Net income from exempt activities	(547,973)	(902,876)
Unrecognized DTA	-	741,360
Income tax expense	194,151	22,354

Note 19 - 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 2021 are as follows:

	VAT taxable	VAT-exempt	Total
Vatable receipts	23,414,952	-	23,414,952
Sales to government	3,580,022	-	3,580,022
VAT-exempt	-	135,714	135,714
	26,994,974	135,714	27,130,688
Output VAT rate	12%	0%	
Total Output VAT	3,239,397	-	3,239,397

In 2021, the Association paid output VAT amounting to P2,089,236.

(ii) Input VAT

Details of the Association's input VAT claimed during 2021 are as follows:

Balance at January 1	82,067
Add: Current year's domestic purchases/payments for:	
Goods other than for resale or manufacture	105,723
Services lodged under other accounts	629,658
Tax credit	402,388
Total available input VAT	1,219,836
Less: Claims for output VAT	(1,219,836)
Balance, December 31	-

(iii) Importations

The Association did not import any goods in 2021, 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, 2021 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, 2021 consist of:

Business permits	77,909
Annual registration	500
Others	100
	78,509

(vii) Withholding taxes

Details of the Association's withholding taxes paid and accrued in 2021 are as follows:

	Paid	Accrued	Total
Withholding tax on compensation	852,472	53,903	906,375
Expanded withholding tax	729,752	49,641	779,393
	1,582,224	103,544	1,685,768

(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, 2021.

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.