

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

**Financial Statements**

**As at and for the years ended December 31, 2022 and 2021**

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

Statements of Assets, Liabilities and Fund Balances  
As at December 31, 2022 and 2021  
(All amounts in Philippine Peso)

	Notes	2022	2021
<b><u>ASSETS</u></b>			
<b>Current assets</b>			
Cash	3	7,551,974	14,598,269
Trade and other receivables	4	4,128,900	2,675,499
Short-term investment	5	2,555,000	-
Prepayments and other current assets	6	1,233,308	1,656,666
Total current assets		15,469,182	18,930,434
<b>Non-current assets</b>			
Property and equipment, net	7	12,839,953	13,824,807
Intangible assets, net	8	969,220	-
Long-term investment	5	2,580,000	-
Deferred income tax assets, net	19	725,685	641,210
Other non-current assets	6	2,512,475	2,268,849
Total non-current assets		19,627,333	16,734,866
<b>Total assets</b>		<b>35,096,515</b>	<b>35,665,300</b>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
<b>Current liabilities</b>			
Payables and accrued expenses	9	4,865,228	4,847,830
Deferred revenues	10	3,778,477	5,030,030
Total current liabilities		8,643,705	9,877,860
<b>Non-current liabilities</b>			
Loans payable	11	1,344,887	2,694,887
Retirement benefit obligation	13	2,291,460	1,887,879
Total non-current liabilities		3,636,347	4,582,766
Total liabilities		12,280,052	14,460,626
<b>Fund balances</b>			
Members' contributions		65,000	65,000
General fund		22,751,463	21,139,674
Total fund balances		22,816,463	21,204,674
<b>Total liabilities and fund balances</b>		<b>35,096,515</b>	<b>35,665,300</b>

The notes on pages 1 to 18 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, 2022 and 2021  
(All amounts in Philippine Peso)

	Notes	2022	2021
<b>Revenues</b>			
Programs	14	28,078,523	27,878,028
Membership dues and contributions	15	5,926,957	6,238,178
Sponsorships	16	985,745	973,214
Donations		-	135,000
		34,991,225	35,224,420
<b>Other income</b>			
Interest income	3,5	196,103	7,844
Unrealized foreign exchange gain	3	127,173	56,108
		323,276	63,952
<b>Expenses</b>			
Program costs	17	(26,258,615)	(20,697,176)
General and administrative expenses	18	(7,228,685)	(8,925,680)
Interest expense	11	(123,053)	(189,967)
		(33,610,353)	(29,812,823)
<b>Excess of revenues over expenses before tax</b>		1,704,148	5,475,549
Income tax expense	19	(92,359)	(194,151)
<b>Excess of revenues over expenses for the year</b>		1,611,789	5,281,398

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

Statements of Changes in Fund Balances  
For the years ended December 31, 2022 and 2021  
(All amounts in Philippine Peso)

	<b>Members' contributions</b>	<b>General fund</b>	<b>Total</b>
<b>Balances at January 1, 2021</b>	65,000	15,858,276	15,923,276
Excess of revenues over expenses for the year	-	5,281,398	5,281,398
<b>Balances at December 31, 2021</b>	65,000	21,139,674	21,204,674
Excess of revenues over expenses for the year	-	1,611,789	1,611,789
<b>Balances at December 31, 2022</b>	65,000	22,751,463	22,816,463

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

Statements of Cash Flows  
For the years ended December 31, 2022 and 2021  
(All amounts in Philippine Peso)

	Notes	2022	2021
<b>Cash flows from operating activities</b>			
Excess of revenues over expenses before income tax		1,704,148	5,475,549
Adjustments for:			
Interest income	3,5	(196,103)	(7,844)
Unrealized foreign exchange gain	3	(127,173)	(56,108)
Depreciation of property and equipment	7	1,584,964	1,672,926
Amortization of intangible assets	8	147,566	-
Interest expense	11	123,053	189,967
Provision for doubtful accounts	4,18	169,803	-
Operating cash flows before working capital changes		3,406,258	7,274,490
(Increase) decrease in:			
Trade and other receivables	4	(1,623,204)	(22,768)
Prepayments and other current assets	6	(317,642)	180,165
Other non-current assets	6	(243,626)	646,866
Increase (decrease) in:			
Payables and accrued expenses	9	17,398	(436,510)
Deferred revenues	10	(1,251,553)	2,602,588
Retirement benefit obligation	13	403,581	811,467
Cash generated from operations		391,212	11,056,298
Income tax paid		(176,834)	(1,299,840)
Interest received from cash in banks	3	54,939	7,844
Net cash provided by operating activities		269,317	9,764,302
<b>Cash flows from investing activities</b>			
Interest received from investments	5	141,164	-
Acquisition of intangible assets	8	(375,786)	-
Acquisitions of property and equipment	7	(600,110)	(233,036)
Acquisition of investments	5	(5,135,000)	-
Net cash used in investing activities		(5,969,732)	(233,036)
<b>Cash flows from financing activities</b>			
Interest paid on loans	11	(123,053)	(189,967)
Repayments of loans	11	(1,350,000)	(2,650,000)
Net cash used in financing activities		(1,473,053)	(2,839,967)
<b>Net (decrease) increase in cash</b>		<b>(7,173,468)</b>	<b>6,691,299</b>
<b>Cash, January 1</b>		<b>14,598,269</b>	<b>7,850,862</b>
Effect of exchange rate changes on cash		127,173	56,108
<b>Cash, December 31</b>	<b>3</b>	<b>7,551,974</b>	<b>14,598,269</b>

The notes on pages 1 to 18 are an integral part of these financial statements.

## **Institute of Corporate Directors, Inc.**

(A non-stock, non-profit association)

Notes to the Financial Statements

As at and for the years ended December 31, 2022 and 2021

(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 for three (3) years.

The Association has its principal and registered office address at 14th Floor Trident Tower Condominium, H.V. Dela Costa St. Salcedo Village, 1227 Makati City.

#### **1.2 Impact of COVID-19 pandemic**

Due to the impact of COVID-19 pandemic, 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 which ended on 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 continued to offer its virtual/online public and exclusive trainings but also started in-person gatherings but with minimum number of participants to maintain social distancing. The Association will also continue with its membership recruitment.

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 April 12, 2023.

### **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, short-term investments, 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; Short-term 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.

Short-term investments 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 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 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 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.

## **2.11 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 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.

## **2.13 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 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.

### **2.14 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.

### *Fund expenses recognition*

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

### **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.

## **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.

### **Note 3 - Cash**

Cash as at December 31 consists of:

	2022	2021
Cash in banks	7,531,974	14,578,269
Cash on hand	20,000	20,000
	7,551,974	14,598,269

Cash in banks earn interest at the bank deposit rates ranging from 0.0275% to 0.0750% per annum for the year ended December 31, 2022 (2021 - 0.0275% to 0.10% per annum).

Interest income earned from cash in banks for the year ended December 31, 2022 amounted to P54,939 (2021 - P7,844).

As at December 31, 2022 and 2021, the Association has foreign currency denominated cash in banks. Unrealized foreign exchange gain for the year ended December 31, 2022 amounted to P127,173 (2021 - P56,108).

#### **Note 4 - Trade and other receivables**

Trade and other receivables as at December 31 consist of:

	2022	2021
Trade receivables	3,521,770	2,197,861
Less: Allowance for impairment of receivables	(169,803)	-
	3,351,967	2,197,861
Advances to Institute for Solidarity in Asia, Inc. (ISA)	381,563	162,158
Advances to Center for Excellence in Governance, Inc. (CEG)	253,600	253,600
Other receivables	141,770	61,880
	4,128,900	2,675,499

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

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

#### **Note 5 - Investments**

Investments as at December 31, 2022 (2021 - nil) consist of:

Short-term investment	2,555,000
Long-term investment	2,580,000
	5,135,000

In 2022, the Association acquired short-term investment amounting to P2,555,000 and long-term investment amounting to P2,580,000, from a local bank, bearing 3.75% to 6% yield at maturity on July 12, 2023 and March 4, 2027, respectively.

Interest income earned from investments for the year ended December 31, 2022 amounted to P141,164 (2021 - nil).

#### **Note 6 - Prepayments and other current assets; Other non-current assets**

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

	2022	2021
Prepaid expenses		
Advance payments	500,000	192,583
Employees' health insurance coverage	444,776	388,886
Membership dues	82,445	207,894
Supplies	71,429	-
Subscriptions	8,484	812,429
Input value-added tax (VAT)	74,661	-
Creditable VAT	51,513	54,874
	1,233,308	1,656,666

Advance payments mainly relate to the down payment on hotel venue for the ACGS Golden Arrow Awarding to be held on January 20, 2023.

In 2021, subscriptions mainly pertain to the down payment for the Xscribe software subscription amounting P741,000. In 2022, the software was acquired and capitalized as intangible assets in the statements of assets, liabilities and fund balances and is considered as a non-cash transaction in the statement of cash flows.

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

	2022	2021
Creditable withholding tax	2,241,503	1,997,877
Investment in CEG	167,000	167,000
Refundable deposits	103,972	103,972
	2,512,475	2,268,849

**Note 7 - Property and equipment, net**

Movements in the carrying amount of 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
<b>At January 1, 2021</b>					
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
<b>For the year ended December 31, 2021</b>					
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
<b>At December 31, 2021</b>					
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
<b>For the year ended December 31, 2022</b>					
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
<b>At December 31, 2022</b>					
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

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

	Notes	2022	2021
Program costs	17	1,124,813	1,177,619
General and administrative expenses	18	460,151	495,307
		1,584,964	1,672,926

Management believes that there are no impairment indicators identified over property and equipment as at December 31, 2022 and 2021.

### **Note 8 - Intangible asset, net**

Movements in the carrying amount of intangible asset (i.e. software licenses) as at December 31, 2022 (2021 - nil) are as follows:

	Note	
<b>As at January 1</b>		
Opening net carrying value		-
Acquisition		1,116,786
Amortization	18	(147,566)
Closing net carrying value		969,220
<b>As at December 31</b>		
Cost		1,116,786
Accumulated amortization		(147,566)
Net carrying value		969,220

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

### **Note 9 - Payables and accrued expenses**

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

	2022	2021
Accrued expenses	2,422,523	1,471,052
Provision for employee bonuses	1,350,442	2,450,694
Deferred output VAT	806,421	699,062
Payable to government agencies	285,842	227,022
	4,865,228	4,847,830

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

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.

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

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

### **Note 10 - Deferred revenues**

Deferred revenues as at December 31 consist of:

	2022	2021
Membership dues	2,467,318	3,553,481
Programs	1,311,159	1,476,549
	3,778,477	5,030,030

Membership dues for 2022 pertain to advance payment of members for their 2023 membership dues (2021 - 2022 and 2023 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 2023.

**Note 11 - Loans payable**

Loans payable recognized in the statements of assets, liabilities and fund balances as at December 31, 2022 amounts to P1,344,887 (2021 - P2,694,887).

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 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.

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:

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 years ended December 31, 2022 and 2021, the interest rate was 5.5% and interest expense amounted to P123,053 (2021 - P189,967).

As at December 31, 2022, the outstanding balance of loans payable amounted to P6,689,773 (2021 - P8,039,774), of which P1,344,887 (2021 - P2,694,887), represents the Association’s share.

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

	2022	2021
Beginning of year	2,694,887	5,344,887
Repayment during the year	(1,350,000)	(2,650,000)
End of year	1,344,887	2,694,887

## **Note 12 - Related party transactions**

### *Remuneration of Key Management Personnel*

For the year ended December 31, 2022, key management compensation amounted to P3,250,000 (2021 - P2,918,155).

For the years ended December 31, 2022 and 2021, 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.

## **Note 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, 2022 amounts to P2,291,460 (2021 - P1,887,879).

The retirement benefit expense recognized in the statements of income under general and administrative expenses for the year ended December 31, 2022 amounted to P403,581 (2021 - P811,467) (Note 18).

## **Note 14 - Programs**

Program revenues for the year ended December 31, 2022 amounting to P28,078,523 (2021 - P27,878,028) are earned from public and exclusive courses, as well as written reports, rendered by the Association.

## **Note 15 - Membership dues and contributions**

Membership dues and contributions for the year ended December 31, 2022 amounting to P5,926,957 (2021 - P6,238,178) are payments made by the Association's Fellows, Graduates and Associates members.

## **Note 16 - Sponsorships**

In 2022, the Association received various sponsorships amounting to P985,745 (2021 - P973,214).

**Note 17 - Program costs**

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

	Note	2022	2021
Salaries and wages		14,026,822	8,421,119
Professional fees		4,477,477	7,890,315
Corporate governance scorecard expenses		3,068,652	1,648,023
Seminars, conferences and exhibits		1,484,012	434,434
Depreciation	7	1,124,813	1,177,619
Marketing		715,621	391,596
Training and development		544,880	153,703
Utilities		313,604	178,989
Membership dues and subscription		185,777	147,277
Office supplies		38,644	74,188
Transportation and travel		24,304	-
Miscellaneous		254,009	179,913
		26,258,615	20,697,176

**Note 18 - General and administrative expenses**

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

	Notes	2022	2021
Salaries and wages		3,676,924	4,728,808
Utilities		575,202	554,542
Membership dues and subscription		471,177	388,667
Depreciation	7	460,151	495,307
Retirement benefit expense	13	403,581	811,467
Professional fees		380,902	1,002,083
Transportation and travel		335,394	192,322
Repairs and maintenance		248,011	174,340
Provision for doubtful accounts	4	169,803	-
Amortization of intangible assets	8	147,566	-
Outside services		121,424	127,548
Training and development		103,272	68,824
Taxes and licenses		72,522	78,509
Office supplies		41,844	82,102
Miscellaneous		20,912	221,161
		7,228,685	8,925,680

## **Note 19 - Income taxes**

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

	2022	2021
Current income tax expense	176,834	1,299,840
Deferred income tax benefit	(84,475)	(1,105,689)
	92,359	194,151

### *Deferred income tax (DIT)*

The components of DIT asset for the year ended December 31, are as follows:

	2022	2021
Retirement benefit obligation	458,292	162,293
Provision for employee bonuses	270,088	490,139
Allowance for doubtful accounts	33,961	-
Unrealized foreign exchange gain	(36,656)	(11,222)
	725,685	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, 2021 (2022 - nil) follow:

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

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

	2022	2021
DIT assets, net		
To be recovered within 12 months	267,393	478,917
To be recovered after 12 months	458,292	162,293
	725,685	641,210

The movements in the DIT assets for the years ended December 31, are as follows:

	2022	2021
Beginning of year	641,210	-
Credited (charged) to profit or loss		
Retirement benefit obligation	295,999	162,293
Allowance for doubtful accounts	33,961	-
Provision for employee bonus	(220,051)	490,139
Unrealized foreign exchange gain	(25,434)	(11,222)
End of year	725,685	641,210

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, 2022 and 2021.

#### *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 Regular Corporate Income Tax (RCIT) 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:

	2022	2021
Income tax at statutory rate at 20%	340,830	1,095,110
Adjustments for:		
Non-deductible expenses	14,693	113,062
Recognition of previously unrecognized DIT asset on retirement benefit obligation	(215,282)	(464,479)
Interest income subjected to final tax	(39,221)	(1,569)
Net income from exempt activities	(8,661)	(547,973)
Income tax expense	92,359	194,151

## **Note 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 2022 are as follows:

	Gross amount of receipts	Output VAT
Vatable receipts	24,987,181	2,998,462
Sales to government	2,699,294	323,915
	27,686,475	3,322,377

In 2022, the Association paid output VAT amounting to P2,708,827.

#### *(ii) Input VAT*

Details of the Association's input VAT claimed during 2022 are as follows:

Balance at January 1	-
Add: Current year's domestic purchases/payments for:	
Goods other than for resale or manufacture	144,286
Services lodged under other accounts	543,925
Total available input VAT	688,211
Less: Claims for output VAT	(688,211)
Balance, December 31	-

#### *(iii) Importations*

The Association did not import any goods in 2022, 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, 2022 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, 2022 consist of:

Business permits	10,112
Annual registration	500
Others	61,910
	72,522

*(vii) Withholding taxes*

Details of the Association's withholding taxes paid and accrued in 2022 are as follows:

	Paid	Accrued	Total
Withholding tax on compensation	2,400,103	140,133	2,540,236
Expanded withholding tax	525,972	27,571	553,543
	2,926,075	167,704	3,093,779

*(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, 2022.

**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.