

SUPPLEMENTAL WRITTEN STATEMENT OF AUDITOR

To the Board of Trustees and Members
INSTITUTE OF CORPORATE DIRECTORS, INC.
(A Non-stock, Non-profit Association)
14th Floor Trident Tower Condominium
H.V. Dela Costa St. Salcedo Village
1227 Makati City

Gentlemen:

We have examined the financial statements of Institute of Corporate Directors, Inc. (the "Association") as at and for the year ended December 31, 2018, on which we have rendered the attached report dated April 11, 2019.

In compliance with SRC Rule 68, we are stating that the said Association has no shareholders being a non-stock association.

Navarro Amper & Co.
BOA Registration No. 0004, valid from November 12, 2018 to July 16, 2021
SEC Accreditation No. 0001-FR-5, issued on January 15, 2019; effective until January 14, 2022, Group A
TIN 005299331

By:

Nina J. Felismino

Nina Cecilia S. Felismino
Partner

CPA License No. 0103737

SEC A.N. 1645-A, issued on June 15, 2017; effective until June 14, 2020, Group A

TIN 218720328

BIR A.N. 08-002552-46-2016, issued on November 22, 2016; effective until November 22, 2019

PTR No. A-4255728, issued on January 10, 2019, Taguig City

Taguig City, Philippines
April 11, 2019

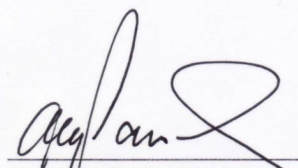


**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR ANNUAL INCOME TAX RETURN**

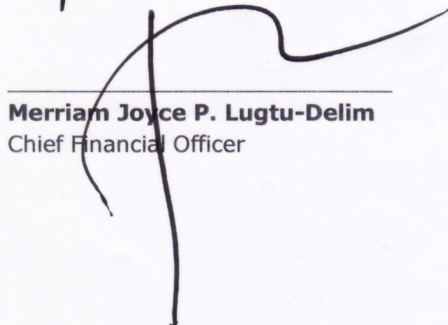
The Management of Institute of Corporate Directors, Inc. (the "Association") is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2018. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2018 and the accompanying Annual Income Tax Return are in accordance with the books and records of the Association, complete and correct in all material respects. Management likewise affirms that:

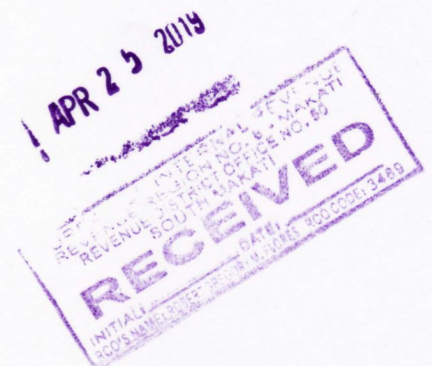
- a. The Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- b. Any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the Association's books and records in accordance with the requirements of Revenue Regulation No. 8-2007 and other relevant issuances; and
- c. The Association has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.



Alfredo E. Pascual
Chief Executive Officer



Merriam Joyce P. Lugtu-Delim
Chief Financial Officer



INDEPENDENT AUDITORS' REPORT TO ACCOMPANY INCOME TAX RETURN

Bureau of Internal Revenue
BIR Building, East Triangle
Diliman, Quezon City

Gentlemen:

In connection with our audit of the statement of assets, liabilities, and fund balances of Institute of Corporate Directors, Inc. (A Non-stock, Non-profit Association) as at December 31, 2018, and the statement of revenues and expenses, statement of changes in fund balances and statement of cash flows for the year then ended, on which we have rendered our report dated April 11, 2019, and in compliance with the Statement required by Section 8-A of Revenue Regulations V-1, as amended by Revenue Regulations V-20, we state that no partner of our Firm is related by consanguinity or affinity to any of the principal officers or members of the Association.

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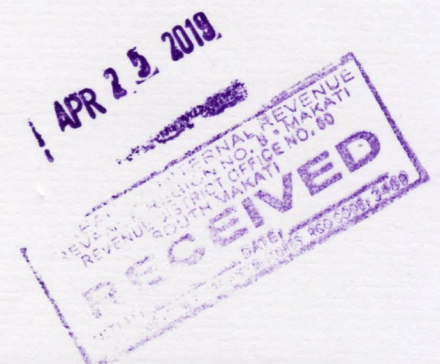
SEC A.N. 1645-A, issued on June 15, 2017; effective until June 14, 2020, Group A

TIN 218-720-328

BIR A.N. 08-002552-46-2016, issued on November 22, 2016; effective until November 22, 2019

PTR No. A-4255728, issued on January 10, 2019, Taguig City

Taguig City, Philippines
April 11, 2019



INDEPENDENT AUDITORS' REPORT

The Board of Trustees and Members
INSTITUTE OF CORPORATE DIRECTORS, INC.
(A Non-stock, Non-profit Association)
14th Floor Trident Tower Condominium
H.V. Dela Costa St. Salcedo Village
1227 Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Institute of Corporate Directors, Inc. ("the Association"), which comprise the statements of assets, liabilities and fund balances as at December 31, 2018 and 2017, the statements of revenues and expenses, statements of changes in fund balances and statements of cash flows for the years ended December 31, 2018 and 2017 and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years ended December 31, 2018 and 2017, in accordance with Philippine Financial Reporting Standard for Small and Medium-sized Entities (PFRS for SMEs).

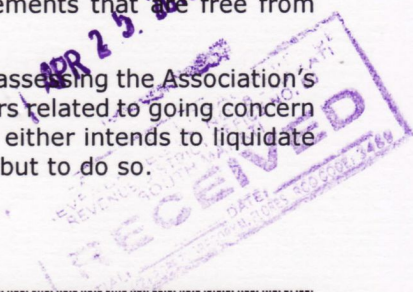
Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with PFRS for SMEs, 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.



Auditors' 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 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 Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Management 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 Other Legal and Regulatory Requirements

Report on the Supplementary Information Required by the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 24 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of Management and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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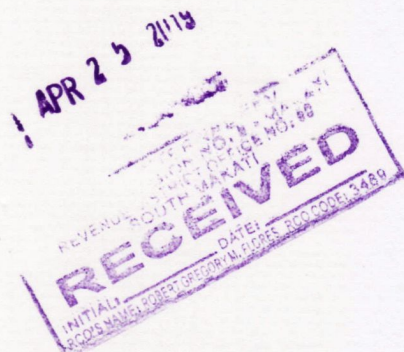
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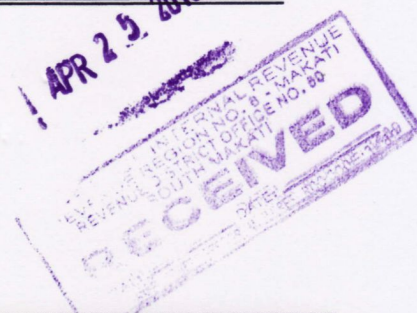
INSTITUTE OF CORPORATE DIRECTORS, INC.

(A Non-stock, Non-profit Association)

STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCES

		December 31	
	Notes	2018	2017
ASSETS			
Current Assets			
Cash	6	P 7,471,547	P 6,956,691
Trade receivables	7	4,404,011	4,611,972
Advances to officers and employees	8	4,494	131,009
Advances to Institute for Solidarity in Asia, Inc.	14	216,379	125,723
Prepayments and other current assets	9	2,515,163	1,966,336
Total Current Assets		14,611,594	13,791,731
Non-current Assets			
Property and equipment - net	10	17,588,475	18,102,335
Refundable deposits	16	103,972	103,972
Total Non-current Assets		17,692,447	18,206,307
		P32,304,041	P31,998,038
LIABILITIES AND FUND BALANCES			
Current Liabilities			
Payables and accrued expenses	11	P 6,073,964	P 4,744,985
Deferred revenue	12	1,894,822	2,168,020
Due to an officer	14	3,841,125	6,619,662
Loans payable	13	1,269,503	1,303,183
Total Current Liabilities		13,079,414	14,835,850
Non-current Liabilities			
Loans payable - net of current portion	13	5,495,697	6,598,385
Deferred tax liability	22	6,271	4,867
Total Non-current Liabilities		5,501,968	6,603,252
		18,581,382	21,439,102
Fund Balances			
Member's contribution	20	65,000	65,000
Unrestricted fund balance	20	13,657,659	10,493,936
		P32,304,041	P31,998,038

See Notes to Financial Statements.

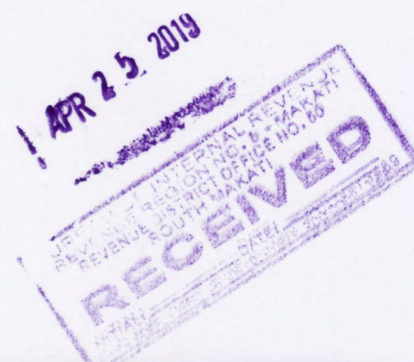


INSTITUTE OF CORPORATE DIRECTORS, INC.

(A Non-stock, Non-profit Association)

STATEMENTS OF REVENUES AND EXPENSES

	For the Years Ended December 31		
	Notes	2018	2017
REVENUES			
Programs		P30,816,075	P32,579,984
Membership dues and contributions		5,322,277	- 4,877,507
Sponsorship		5,303,664	3,064,841
Consultancy		1,677,811	-
Grants	17	-	2,382,158
Donations		41,072	160,000
Foreign exchange gains		20,904	16,224
Interest income	6	4,835	6,849
Other income		72,294	26,859
		43,258,932	43,114,422
EXPENSES			
Program costs	18	26,842,209	29,741,997
General and administrative expenses	19	12,348,708	10,390,912
Finance costs	13	663,632	661,437
		39,854,549	40,794,346
Excess of Revenues Over Expenses Before Tax		3,404,383	2,320,076
Income Tax Expense	21	240,660	854,369
Excess of Revenues Over Expenses for the Year		P 3,163,723	P 1,465,707

See Notes to Financial Statements.

INSTITUTE OF CORPORATE DIRECTORS, INC.

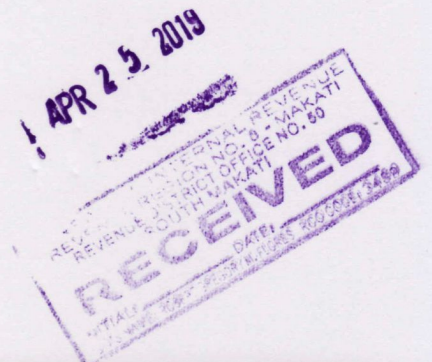
(A Non-stock, Non-profit Association)

STATEMENTS OF CHANGES IN FUND BALANCES

For the Years Ended December 31

	Note	Members Contribution	Fund Balances	Total
Balance, January 1, 2017		P65,000	P 9,028,229	P 9,093,229
Excess of revenues over expenses		-	1,465,707	1,465,707
Balance, December 31, 2017		65,000	10,493,936	10,558,936
Excess of revenues over expenses		-	3,163,723	3,163,723
Balance, December 31, 2018	20	P65,000	P13,657,659	P13,722,659

See Notes to Financial Statements.



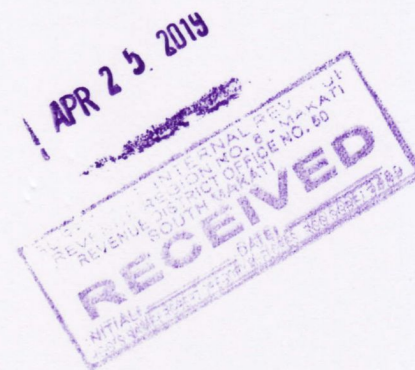
INSTITUTE OF CORPORATE DIRECTORS, INC.

(A Non-stock, Non-profit Association)

STATEMENTS OF CASH FLOWS

		For the Years Ended December 31	
	Notes	2018	2017
Cash Flows from Operating Activities			
Excess of revenues over expenses before tax		P3,404,383	P2,320,076
Adjustments:			
Depreciation	10	1,245,373	1,527,423
Finance cost	13	663,632	661,437
Interest income	6	(4,835)	(6,849)
Unrealized foreign exchange gain - net		(20,904)	(16,224)
Operating cash flows before working capital changes		5,287,649	4,485,863
(Increase) Decrease in:			
Trade receivables		207,961	(2,551,072)
Advances to officers and employees		126,515	(86,291)
Advances to Institute for Solidarity in Asia, Inc.		(90,656)	49,402
Prepayments and other current assets		(788,083)	(443,587)
Increase (Decrease) in:			
Trade and other payables		1,328,979	2,867,199
Deferred revenue		(273,198)	2,168,020
Due to an officer		(2,778,537)	(3,171,892)
Cash generated from operations		3,020,630	3,317,642
Income taxes paid		-	(2,558,057)
Net cash from operating activities		3,020,630	759,585
Cash Flows from Investing Activities			
Interest income received	6	4,835	6,849
Additions to property and equipment	10	(731,513)	(80,161)
Net cash used in investing activities		(726,678)	(73,312)
Cash Flows from Financing Activities			
Finance cost paid	13	(663,632)	(661,437)
Payment of loans payable	13	(1,136,368)	(1,138,714)
Net cash used in financing activities		(1,800,000)	(1,800,151)
Effect of Changes in Foreign Exchange Rates		20,904	16,224
Net Increase (Decrease) in Cash		514,856	(1,097,654)
Cash, Beginning		6,956,691	8,054,345
Cash, End		P7,471,547	P6,956,691

See Notes to Financial Statements.



INSTITUTE OF CORPORATE DIRECTORS, INC.

(A Non-stock, Non-profit Association)

NOTES TO FINANCIAL STATEMENTS

AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

1. CORPORATE INFORMATION

Institute of Corporate Directors, Inc. (the "Association") is a non-stock, non-profit association duly organized and existing under the laws of the Republic of the Philippines. The Association was registered with the Philippine Securities and Exchange Commission (SEC) on January 15, 2004 primarily 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's principal office is located at 14th Floor Trident Tower Condominium, H.V. Dela Costa St. Salcedo Village, 1227 Makati City.

2. FINANCIAL REPORTING FRAMEWORK

Statement of Compliance

The financial statements of the Association have been prepared in accordance with the Philippine Financial Reporting Standard for Small and Medium-sized Entities (PFRS for SMEs) issued by the International Accounting Standards Board (IASB) as approved by the Financial Reporting Standards Council (FRSC) and Board of Accountancy (BOA) and adopted by the SEC.

Basis of Preparation and Presentation

These financial statements have been prepared on the historical cost basis, except for certain financial instruments that are carried at amortized cost.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Functional and Presentation Currency

The financial statements are presented in Philippine Peso, the currency of the primary economic environment in which the Association operates. All amounts are recorded in the nearest Philippine peso, except when otherwise indicated.

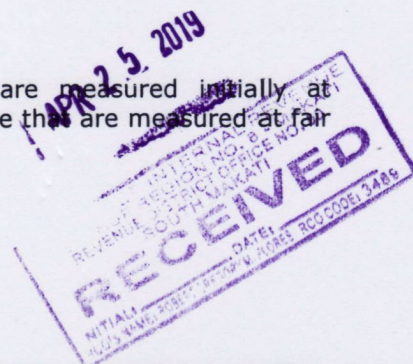
3. SIGNIFICANT ACCOUNTING POLICIES

Financial Instruments

The Association classifies its financial instruments as either basic financial instruments or other financial instruments. Financial instruments are recognized only when the entity becomes a party to the contractual provisions of the instrument.

Basic financial instruments

The Association's basic financial assets and liabilities are measured initially at transaction price including transaction costs except for those that are measured at fair value through profit or loss.



Basic financial instruments at amortized cost

The Association's basic financial instruments other than investments in non-convertible and non-puttable preference shares and non-puttable ordinary shares that are publicly traded or whose fair value can be measured reliably are subsequently measured at amortized cost less impairment.

The amortized cost of a financial instrument at the end of each reporting period is computed as the net of the amount at which the financial instrument is measured at initial recognition, minus any repayments of the principal, plus or minus the cumulative amortization using the effective interest method of any difference between the amount at initial recognition and the maturity amount, minus, in the case of a financial asset, any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

The carrying amounts of the Association's basic financial instruments carried at amortized cost at the end of each reporting periods are shown in Note 5.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the carrying amount of the financial asset or financial liability. The effective interest rate is determined on the basis of the carrying amount of the financial asset or liability at initial recognition.

Under the effective interest method, the amortized cost of a financial asset (liability) is the present value of future cash receipts (payments) discounted at the effective interest rate; and the interest income (expense) in a period equals the carrying amount of the financial asset (liability) at the beginning of a period multiplied by the effective interest rate for the period.

Derecognition of financial assets

The Association derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or are settled, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

Any difference between the consideration received and the amounts recognized and derecognized shall be recognized in profit or loss.

Derecognition of financial liabilities

Financial liabilities are derecognized only when it is extinguished or when the obligation specified in the contract is discharged, cancelled or has expired.

Any difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed shall be recognized in profit or loss.



Impairment of Financial Assets Measured at Cost or Amortized Cost

At the end of each reporting period, the Association shall assess whether there is objective evidence of impairment of any financial assets that are measured at cost or amortized cost. If there is objective evidence of impairment, the entity shall recognize an impairment loss in profit or loss immediately.

Objective evidence that a financial asset or group of assets is impaired includes:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the creditor, for economic or legal reasons relating to the debtor's financial difficulty, granting to the debtor a concession that the creditor would not otherwise consider;
- it has become probable that the debtor will enter bankruptcy or other financial reorganization; or
- observable data indicating that there has been a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, even though the decrease cannot yet be identified with the individual financial assets in the group, such as adverse national or local economic conditions or advance changes in industry conditions.

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

For an instrument measured at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that the Association would receive for the asset if it were to be sold at the end of each reporting period.

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the Association shall reverse the previously recognized impairment loss either directly or adjusting the allowance account. The reversal shall not result in a carrying amount of the financial asset (net of allowance account) that exceeds what the carrying amount would have been had the impairment not previously recognized. The Association shall recognize the amount of reversal in profit or loss immediately.

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 cost 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.



Property and Equipment

Property and equipment are initially measured at cost. The cost of an item of property and equipment comprises:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At the end of each reporting period, items of property and equipment measured using the cost model are carried at cost less any subsequent accumulated depreciation and impairment losses.

Subsequent expenditures relating to an item of property and equipment that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Association. All other subsequent expenditures are recognized as expenses in the period in which those are incurred.

Depreciation is computed on the straight-line method based on the estimated useful lives of the assets as follows:

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

Office improvements are depreciated over the improvements' useful life of three to fifteen years, or when shorter, the term of the relevant lease.

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 by the Association upon its disposal or when an item of property and equipment is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Impairment of Tangible Assets

Assets that are subject to depreciation are assessed at the end of each reporting period to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit (CGU) to which the asset has been allocated) is tested for impairment. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized as an expense.

Tangible assets that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting date. When an impairment loss subsequently reverses, the carrying amount of the asset or CGU is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or CGU in prior years. A reversal of an impairment loss is recognized as income in profit or loss.



Fund Balances

The Association classifies fund balances as equity since it represents a residual interest in the assets of the Association after deduction of all of its liabilities. This includes members contribution and the result of the Association's operation.

Employee Benefits

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 salaries and wages, social security contributions, short-term compensated absences, bonuses and non-monetary benefits.

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 are recognized when earned. Contributions are recognized in the period when received.

Grants received

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.

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 statements of revenues and expenses 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.



Foreign Currency Transactions and Translations

Transactions in currencies other than Philippine Peso are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Gains and losses arising on retranslation are included in the statements of revenues and expenses.

Related Parties

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.

Taxation

Current tax

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statements of revenues and expenses because it excludes items of income or expense that are never taxable or deductible. The Association's current tax expense is calculated using 30% regular corporate income tax rate (RCIT) or 2% minimum corporate income tax (MCIT) rate, whichever is higher.

Income tax expense in 2018 and 2017 pertains to MCIT and RCIT, respectively.

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 National Internal Revenue Code (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 provisions of applicable BIR rules and regulations and the tax exemptions, liabilities and responsibilities stated in the Terms and Conditions attached in the certificate provided. The Association is liable, however, to all other taxes other than those not mentioned in the certificate.

Deferred tax

Deferred 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 tax liabilities

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

Deferred tax assets

Deferred 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.

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

The carrying amount of a deferred 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 tax asset to be utilized. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available.



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

Current tax assets and current tax liabilities, or deferred tax assets and deferred tax liabilities are offset if, and only if, it 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.

Events After the End of the Reporting Period

The Association identifies events after the end of the reporting period as events that occurred after the reporting date but before the date the financial statements were authorized for issue. Any subsequent events that provide evidence of conditions that existed at the end of each reporting period are reflected in the financial statements. Non-adjusting subsequent events are disclosed in the notes to the financial statements when material.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Association's accounting policies, Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on the historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an on-going basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Estimating useful lives of property and equipment

The useful lives of property and equipment are estimated based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the Association's assets. In addition, the estimation of the useful lives is based on the Association's collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

A reduction in the estimated useful lives of property and equipment would increase the recognized operating expenses and decrease non-current assets.

As at December 31, 2018 and 2017, the carrying amounts of the Association's property and equipment amounted to P17,588,475 and P18,102,335, respectively. Total accumulated depreciation as at December 31, 2018 and 2017 amounted to P10,151,554 and P8,906,181, respectively, as disclosed in Note 10.



Asset impairment

The Association performs an impairment review when certain impairment indicators are present.

Determining the fair value of property and equipment, which requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Association to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Association to conclude that property and equipment is impaired. Any resulting impairment loss could have a material adverse impact on the financial position and results of operations.

The preparation of the estimated future cash flows involves significant judgment and estimations. While the Association believes that its assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges.

As at December 31, 2018 and 2017, Management believes that the recoverable amounts of the Association's property and equipment exceed their carrying amounts; accordingly, no impairment loss was recognized in both reporting periods as disclosed in Note 10.

Estimating allowance for doubtful accounts

The Association estimates the allowance for doubtful accounts related to its trade receivables based on assessment of specific accounts when the Association has information that certain customers are unable to meet their financial obligations. In these cases, judgment used was based on the best available facts and circumstances including but not limited to, the length of relationship with the customer and the customer's current credit status based on third party credit reports and known market factors. The Association used judgment to record specific reserves for customers against amounts due to reduce the expected collectible amounts. These specific reserves are re-evaluated and adjusted as additional information received impacts the amounts estimated.

The amounts and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. An increase in the allowance for doubtful accounts would increase the recognized operating expenses and decrease current assets.

As at December 31, 2018 and 2017, the Management believes that the recoverability of the receivables is certain, accordingly, no provision for doubtful accounts was recognized in both years. Total trade receivables as at December 31, 2018 and 2017 amounted to P4,404,011 and P4,611,972, respectively, as disclosed in Note 7.

Deferred tax assets

The Association reviews the carrying amounts of deferred tax assets at the end of each reporting period, if any, and reduces deferred assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

As at December 31, 2018 and 2017, no deferred tax assets were recognized as Management believes that it is not probable that sufficient future taxable profit will be available against which the benefits of the deferred income tax can be utilized.



5. CATEGORIES OF FINANCIAL INSTRUMENTS

	2018	2017
Financial Assets at Amortized Cost		
Cash	P 7,471,547	P 6,956,691
Trade receivables	4,404,011	4,611,972
Advances to officers and employees	4,494	131,009
Advances to Institute for Solidarity in Asia, Inc. (ISA)	216,379	125,723
Refundable deposits	103,972	103,972
	P12,200,403	P11,929,367
Financial Liabilities at Amortized Cost		
Payables and accrued expenses	P 4,783,683	P 3,705,617
Loans payable	6,765,200	7,901,568
Due to an officer	3,841,125	6,619,662
	P15,390,008	P18,226,847

Payables and accrued expenses exclude government liabilities of P1,290,281 and P1,039,368 in 2018 and 2017, respectively, as disclosed in Note 11.

6. CASH

	2018	2017
Cash in bank	P7,451,547	P6,936,691
Cash on hand	20,000	20,000
	P7,471,547	P6,956,691

Cash in bank earned an average interest of 0.25% per annum in 2018 and 2017. Interest income earned in 2018 and 2017 amounted to P4,835 and P6,849, respectively.

7. TRADE RECEIVABLES

Trade receivables include amounts due from the Association's fellows and others relative to carrying out activities for seminars and conferences conducted by the Association.

The average credit period taken on sale of services is 30 days. No interest is charged on the receivables for the 30 days and thereafter. Total trade receivables as at December 31, 2018 and 2017 amounted to P4,404,011 and P4,611,972, respectively.

8. ADVANCES TO OFFICERS AND EMPLOYEES

This account represents cash advances provided to fellows, officers and employees to defray for expenses and are subject to liquidation. Total advances to officers and employees as at December 31, 2018 and 2017 amounted to P4,494 and P131,009, respectively.

9. PREPAYMENTS AND OTHER CURRENT ASSETS

	2018	2017
Creditable withholding tax	P2,348,636	P1,525,215
Creditable Value-added tax (VAT)	108,838	45,805
Prepaid expenses	57,689	395,316
	P2,515,163	P1,966,336

Prepaid expenses pertain to advance payment for seminar fee and real property tax.



10. PROPERTY AND EQUIPMENT - net

	Office Improvements	Office Equipment	Furniture and Fixtures	Office Building	Total
Cost					
January 1, 2017	P5,342,745	P2,179,498	P906,112	P18,500,000	P26,928,355
Additions	-	80,161	-	-	80,161
December 31, 2017	5,342,745	2,259,659	906,112	18,500,000	27,008,516
Additions	178,571	552,942	-	-	731,513
December 31, 2018	5,521,316	2,812,601	906,112	18,500,000	27,740,029
Accumulated Depreciation					
January 1, 2017	1,614,281	1,851,404	768,074	3,144,999	7,378,758
Depreciation	420,006	233,766	133,651	740,000	1,527,423
December 31, 2017	2,034,287	2,085,170	901,725	3,884,999	8,906,181
Depreciation	414,319	88,915	2,139	740,000	1,245,373
December 31, 2018	2,448,606	2,174,085	903,864	4,624,999	10,151,554
Carrying Amount					
December 31, 2018	P3,072,710	P 638,516	P 2,248	P13,875,001	P17,588,475
Carrying Amount					
December 31, 2017	P3,308,458	P 174,489	P 4,387	P14,615,001	P18,102,335

Depreciation charged to program costs and general and administrative expenses are as follows:

	Notes	2018	2017
Program costs	18	P 996,298	P1,221,939
General and administrative expenses	19	249,075	305,484
		P1,245,373	P1,527,423

Management believes that property and equipment are not impaired as at December 31, 2018 and 2017.

11. PAYABLES AND ACCRUED EXPENSES

	2018	2017
Payables and accruals	P4,783,683	P3,705,617
Output VAT	1,038,106	669,255
Withholding tax payable on compensation	112,216	219,047
SSS, PHIC, HDMF Payables	77,830	67,021
Expanded withholding tax	62,129	84,045
	P6,073,964	P4,744,985

Payables and accruals include the amount owed for various professional fees, seminar venue and materials, light and water, travel, postage and telephone bills, and other payroll liabilities.

12. DEFERRED REVENUE

The Association's deferred revenue pertains to advance payment of members for their 2019 membership dues. In 2018, the Association offered 5% early bird discount for 2019 dues to attract members to pay their dues in advance.

