Institute of Corporate Directors, Inc.

(A non-stock, non-profit association)

Financial Statements
As at and for the year ended December 31, 2019
(With comparative figures as at and for the year ended December 31, 2018)

Independent Auditor's Report

To the Board of Trustees and Members of
Institute of Corporate Directors, Inc.
14/F Trident Tower, 312 Sen. Gil Puyat Ave., Makati City

Report on the Audit of the Financial Statements

Our Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Institute of Corporate Directors, Inc. (the "Association") as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standard for Small Entities (PFRS for SE).

What we have audited

The financial statements of the Association comprise:

- the statement of assets, liabilities and fund balances as at December 31, 2019;
- the statement of income for the year ended December 31, 2019
- the statement of changes in fund balances for the year ended December 31, 2019;
- the statement of cash flows for the year ended December 31, 2019; and
- the notes to financial statements, which include a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Association in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics), together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics.

Other Matter

The financial statements of the Association as at and for the year ended December 31, 2018, before the adjustments described in Note 11, were audited by another auditor whose report dated April 11, 2019, expressed an unmodified opinion on those statements.

As part of our audit of the 2019 financial statements, we also audited the adjustments described in Note 11 that were applied to amend the 2018 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review or apply any procedures to the 2018 financial statements of the Association other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2018 financial statements taken as a whole.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Report on the Bureau of Internal Revenue Requirement

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 20 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Isla Lipana & Co.

Roderick M. Danao
Partner
CPA Cert. No. 88453
P.T.R. No. 0011280, issued on January 7, 2020, Makati City
SEC A.N. (individual) as general auditors 1585-AR-2, Category A; effective until October 14, 2022
SEC A.N. (firm) as general auditors 0009-FR-5, Category A; effective until June 20, 2021
TIN 152-015-078
BIR A.N. 08-000745-042-2018, issued on February 2, 2018; effective until February 1, 2021
BOA/PRC Reg. No. 0142, effective until September 30, 2020

Makati City
April 7, 2020

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

Statement of Assets, Liabilities and Fund Balances
As at December 31, 2019
(With comparative figures as at December 31, 2018)
(All amounts in Philippine Peso)

	Notes	2019	2018
ASSETS			
Current assets			
Cash	3	4,943,418	7,471,547
Trade receivables	4	5,631,309	4,404,011
Due from related parties	10	301,835	220,873
Prepayments and other current assets	5	1,174,466	166,527
Total current assets		12,051,028	12,262,958
Non-current assets			
Property and equipment, net	6	16,874,083	17,588,475
Other non-current assets	5	1,982,618	2,452,608
Total non-current assets		18,856,701	20,041,083
Total assets		30,907,729	32,304,041
LIABILITIES AND FUND BALANCES			
Current liabilities			
Payables and accrued expenses	7	6,606,909	6,073,964
Deferred revenue	8	2,262,129	1,894,822
Due to a related party	10	707,340	3,841,125
Loans payable	9	1,394,890	1,269,503
Total current liabilities		10,971,268	13,079,414
Non-current liabilities			
Loans payable - net of current portion	9	4,123,252	5,495,697
Retirement benefit obligation	11	433,491	-
Deferred income tax liability, net	18	21,858	6,271
Total non-current liabilities		4,578,601	5,501,968
Total liabilities		15,549,869	18,581,382
Fund balances			
Members' contributions		65,000	65,000
General fund		15,292,860	13,657,659
Total fund balances		15,357,860	13,722,659
Total liabilities and fund balances		30,907,729	32,304,041

The notes on pages 1 to 15 are an integral part of these financial statements.

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

Statement of Income
For the year ended December 31, 2019
(With comparative figures for the year ended December 31, 2018)
(All amounts in Philippine Peso)

	Notes	2019	2018
Revenues			
Programs	12	29,699,211	30,816,075
Membership dues and contributions	13	5,056,254	5,322,277
Grants	14	3,000,000	-
Sponsorships	15	1,924,470	5,303,664
Donations		240,000	41,072
Consultancy fees		-	1,677,811
Other income		161,732	72,294
		40,081,667	43,233,192
Other income			
Foreign exchange gains, net	3	51,956	20,904
Interest income	3	5,332	4,835
		57,288	25,739
Expenses			
Program costs	16	(26,019,544)	(26,842,209)
General and administrative expenses	17	(11,383,679)	(12,348,708)
Interest expense	9	(552,942)	(663,632)
		(37,956,165)	(39,854,549)
Excess of revenues over expenses before tax		2,182,790	3,404,383
Income tax expense	18	(196,598)	(240,660)
Excess of revenues over expenses for the year		1,986,192	3,163,723

The notes on pages 1 to 15 are an integral part of these financial statements.

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

Statement of Changes in Fund Balances
For the year ended December 31, 2019
(With comparative figures for the year ended December 31, 2018)
(All amounts in Philippine Peso)

	Members' contributions	**General fund**	**Total**
Balances at January 1, 2018	65,000	10,493,936	10,558,936
Excess of revenues over expenses	-	3,163,723	3,163,723
Balances at December 31, 2018	65,000	13,657,659	13,722,659
Impact of prior period adjustment (Note 11)	-	(350,991)	(350,991)
Balances at January 1, 2019, as adjusted	65,000	13,306,668	13,371,668
Excess of revenues over expenses	-	1,986,192	1,986,192
Balances at December 31, 2019	**65,000**	**15,292,860**	**15,357,860**

The notes on pages 1 to 15 are an integral part of these financial statements.

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

Statement of Cash Flows
For the year ended December 31, 2019
(With comparative figures for the year ended December 31, 2018)
(All amounts in Philippine Peso)

	Notes	2019	2018
Cash flows from operating activities			
Excess of revenues over expenses before tax		2,182,790	3,404,383
Adjustments for:			
Depreciation	6	1,453,847	1,245,373
Interest expense	9	552,942	663,632
Interest income	3	(5,332)	(4,835)
Unrealized foreign exchange gain, net	3	(51,956)	(20,904)
Write-off of CWT	18	434,841	-
Operating cash flows before working capital changes		4,567,132	5,287,649
(Increase) decrease in:			
Trade receivables	4	(1,227,298)	207,961
Due from related parties	10	(80,962)	35,859
Prepayments and other current assets	5	(1,007,939)	(1,062,677)
Other non-current assets	5	(145,862)	274,594
Increase (decrease) in:			
Trade and other payables	7	532,945	1,328,979
Deferred revenue	8	367,307	(273,198)
Due to a related party	10	(3,133,785)	(2,778,537)
Retirement benefit obligation	11	82,500	-
Cash (used in) generated from operations		(45,962)	3,020,630
Interest received	3	5,332	4,835
Net cash (used in) generated from operating activities		(40,630)	3,025,465
Cash flows from investing activity			
Acquisitions of property and equipment	6	(739,455)	(731,513)
Cash flows from financing activities			
Interest paid on loans	9	(552,942)	(663,632)
Repayments of loans	9	(1,247,058)	(1,136,368)
Net cash used in financing activities		(1,800,000)	(1,800,000)
Net (decrease) increase in cash		(2,580,085)	493,952
Cash, January 1		7,471,547	6,956,691
Effect of exchange rate changes on cash	3	51,956	20,904
Cash, December 31	3	4,943,418	7,471,547

The notes on pages 1 to 15 are an integral part of these financial statements.

Institute of Corporate Directors, Inc.

Notes to the Financial Statements
As at and for the year ended December 31, 2019
(With comparative figures as at and for the year ended December 31, 2018)
(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 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 Approval of the financial statements

The financial statements of the Association were approved and authorized for issuance by the Board of Trustees on April 3, 2020.

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 as at and for the year ended December 31, 2019 have been prepared on a historical cost basis and in accordance with the Philippine Financial Reporting Standard for Small Entities (PFRS for SE) (the "Framework") as approved by the Financial Reporting Standards Council, Board of Accountancy, and Securities and Exchange Commission (SEC).

In preparing these financial statements, the Association's opening statement of assets, liabilities and fund balances was prepared as at January 1, 2019, the Association's transition date to PFRS for SE. Note 11 to the financial statements explains the prior period adjustments made by the Association in recognizing retirement expense in its previous financial statements which were prepared in accordance with the then applicable PFRS for Small and Medium-sized Entities.

2.2 Functional and presentation currency

The financial statements are presented in Philippine Peso, which is 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 December 31, 2019, the Association has basic financial instruments, consisting of cash (Note 3), trade receivables (Note 4), refundable deposits (Note 12) and payables and accrued expenses (except payable to government agencies) (Note 7). It has no complex financial instruments.

Initial measurement

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

Subsequent measurement

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

Impairment of financial instruments measured at cost or amortized cost

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

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

Derecognition of financial assets

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

Derecognition of financial liabilities

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

2.4 Cash

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

2.5 Trade 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)

2.6 Prepayments

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

2.7 Property and equipment

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

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

Depreciation on property and equipment is charged to allocate cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives of the Association's depreciable assets are as follows:

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

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

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

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

2.8 Impairment of non-financial assets

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

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

2.9 Borrowings 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)

All borrowing costs are expensed as incurred.

2.10 Trade and other payables

Trade and other payables are recognized initially at the transaction price and subsequently measured at amortized cost using the effective interest method. (Refer to Note 2.3)

2.11 Fund Balances

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

The fund balances of the Association are reported as follows:

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

2.12 Revenue Recognition

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

Revenues from programs

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

Membership dues and contributions

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

Sponsorships and Grants

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

Interest and other income

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable. Other income is recognized when earned or when received.

2.13 Expense Recognition

Expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in profit or loss: on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statements of assets, liabilities and fund balances as an asset.

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

Fund expenses recognition

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

2.14 Employee Benefits

Retirement benefit obligation

The Association is yet to establish a formal retirement plan for its employees. Thus, the Association's retirement benefit obligation is measured using the accrual approach based on the minimum retirement benefits required under Republic Act (RA) No. 7641, otherwise known as The Philippine 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 statement of income within general and administrative expenses.

Short-term benefits

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

Employee bonus

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

2.15 Related 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.

2.16 Provisions

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

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

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

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

2.17 Taxation

Current income tax

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

The Association's current income 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 2019 and 2018 pertains to MCIT and RCIT, respectively.

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.

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.

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

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

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

2.18 Events after the reporting date

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

Note 3 - Cash

Cash as at December 31 consists of:

	2019	2018
Cash in banks	4,923,418	7,451,547
Cash on hand	20,000	20,000
	4,943,418	7,471,547

Cash in banks earn interest at the bank deposit rates of 0.25% per annum for the years ended December 31, 2019 and 2018.

Interest income earned from cash in banks for the year ended December 31, 2019 amounted to P5,332 (2018 - P4,835).

As at December 31, 2019 and 2018, the Association has foreign currency denominated cash in banks. Unrealized foreign exchange gain for the year ended December 31, 2019 amounted to P51,956 (2018 - P20,904).

Note 4 - Trade receivables

Trade receivables amounting to P5,631,309 as at December 31, 2019 (2018 - P4,404,011) comprise amounts due from the Association's clients and others relative to carrying out activities for the programs, seminars and conferences conducted by the Association.

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

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

	2019	2018
Prepaid expenses	717,419	57,689
Creditable VAT	169,494	-
Advance payment for elevator modernization	151,453	-
Input value-added tax (VAT)	136,100	108,838
	1,174,466	166,527

Prepaid expenses pertain to the renewal of the employees' health insurance coverage (P337,803), downpayment for the Xscribe software subscriptions (P147,000), and advance payments relating to the CG Conference for 2020 (P232,616).

The advance payment for elevator modernization is the share of the Association, among the condominium owners, in Phase II of the elevator repair.

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

	2019	2018
Creditable withholding tax (CWT)	1,878,646	2,348,636
Refundable deposits	103,972	103,972
	1,982,618	2,452,608

Refundable deposits amounting to P103,972 as at December 31, 2019 and 2018 consists of deposits made to Meralco, PLDT and Salcedo Towers.

Note 6 - Property and equipment, net

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

	Office improvements	Office equipment	Furniture and fixtures	Office building	Total
At January 1, 2018					
Cost	5,342,745	2,259,659	906,112	18,500,000	27,008,516
Accumulated depreciation	(2,034,287)	(2,085,170)	(901,725)	(3,884,999)	(8,906,181)
Net carrying value	3,308,458	174,489	4,387	14,615,001	18,102,335
For the year ended December 31, 2018					
Opening net carrying value	3,308,458	174,489	4,387	14,615,001	18,102,335
Additions	178,571	552,942	-	-	731,513
Depreciation	(414,319)	(88,915)	(2,139)	(740,000)	(1,245,373)
Closing net carrying value	3,072,710	638,516	2,248	13,875,001	17,588,475
At December 21, 2018					
Cost	5,521,316	2,812,601	906,112	18,500,000	27,740,029
Accumulated depreciation	(2,448,606)	(2,174,085)	(903,864)	(4,624,999)	(10,151,554)
Net carrying value	3,072,710	638,516	2,248	13,875,001	17,588,475
For the year ended December 21, 2019					
Opening net carrying value	3,072,710	638,516	2,248	13,875,001	17,588,475
Additions	-	736,455	3,000	-	739,455
Depreciation	(469,452)	(242,005)	(2,390)	(740,000)	(1,453,847)
Closing net carrying value	2,603,258	1,132,966	2,858	13,135,001	16,874,083
At December 31,2019					
Cost	5,521,316	3,549,056	909,112	18,500,000	28,479,484
Accumulated depreciation	(2,918,058)	(2,416,090)	(906,254)	(5,364,999)	(11,605,401)
Net carrying value	2,603,258	1,132,966	2,858	13,135,001	16,874,083

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

	Notes	2019	2018
Program costs	16	1,163,078	996,298
General and administrative expenses	17	290,769	249,075
		1,453,847	1,245,373

Management believes that property and equipment are not impaired as at December 31, 2019 and 2018.

Note 7 - Payables and accrued expenses

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

	2019	2018
Accrued expenses	4,270,737	2,531,459
Payable to government agencies	1,553,525	1,290,281
Provision for employee bonuses	782,646	2,252,224
	6,606,909	6,073,964

Accrued expenses include amounts owed for professional fees, seminar venues and materials, utilities, travel, elevator repair, and other payroll liabilities.

Note 8 - Deferred revenue

The Association's deferred revenue for 2019 amounted to P2,262,129 (2018 - P1,894,822) which pertains to advance payment of members for their 2020 and 2021 membership dues (2018 for 2019 membership dues). The Association offers 5% early bird discount for membership dues to attract members to pay their dues in advance.

Note 9 - Loans payable

Loans payable at December 31 consist of:

	2019	2018
Current	1,394,890	1,269,503
Non-current	4,123,252	5,495,697
	5,518,142	6,765,200

On March 12, 2012, the Association entered into an agreement with Union Bank of the Philippines (UBP) to buy the present office condominium unit containing an area of 260.56 square meters for a purchase price of P18,500,000.

The total reservation fee and down payment paid amounted to P1,850,000. The balance of P16,650,000 is payable over 15 years, with a fixed interest rate of 11% per annum, in equal monthly installments of P189,244 starting June 16, 2012.

In June 2013, the Association paid an amount of P3,500,000 to reduce the principal balance of the loan. Also, the contract to sell was amended to reduce the monthly installments to P150,000 and the interest rate was changed from a fixed rate of 11% per annum to one subject to re-pricing every 6 months based on market rate, equivalent to the average of 10-year and 20-year Philippine Dealing System Treasury - Fixing (PDST-F) rates, plus an additional 2.5%.

In December 2019, interest rate was subject to repricing every 6 months based on the average Bloomberg Valuation Service (BVAL) rates, plus an additional 2.5%

For the year ended December 31, 2019, the interest rates range was 7.86% to 9.76% (2018 - 6.93% to 9.44%).

Interest expense on the above loans payable for the year ended December 31, 2019 amounted to P552,942 (2018 - P663,632).

As at December 31, 2019, the outstanding balance of loans payable amounted to P5,518,142 (2018 - P6,765,200)

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

	2019	2018
Beginning of year	6,765,200	7,901,568
Repayment during the year	(1,247,058)	(1,136,368)
End of year	5,518,142	6,765,200

Note 10 - Related party transactions

The Association in the ordinary course of its activities, has transactions with its related parties. The table below summarizes the Association's transactions and balances with its related parties as at and for the years ended December 31:

	Transactions		Balances		Terms and conditions on related party outstanding balances
	2019	2018	2019	2018	
Advances					
Institute for Solidarity in Asia, Inc. *Under common trustees*	180,576	188,599	245,719	216,379	Advances arise from payment of common expenses and loan amortization made by the Association on behalf of ISA.
Officers and employees	162,080	173,920	56,116	4,494	Advances to employees comprise of unsecured advances for usual business transactions which are payable through salary deduction or liquidated within 15 days after the business transaction.
Due from related parties			301,835	220,873	

	Transactions		Balances		Terms and conditions on related party outstanding balances
	2019	2018	2019	2018	
Professional fees and advances					
Officers and employees	(2,917,225)	(2,968,882)	(707,340)	(3,841,125)	Advances from an officer of the Association to support the programs and operations prior to receipt of financial commitment from the funding agencies and unpaid professional fees.
Due to a related party			(707,340)	(3,841,125)	

Remuneration of Key Management Personnel

The short-term benefits of key management personnel of the Association for the year ended December 31, 2019 and 2018 amounted to P2,040,000. There are no outstanding balances due from or due to key management personnel.

Note 11 - Retirement benefit obligation

The Association provides for the estimated retirement benefits required to be paid under Republic Act (RA) No. 7641, the Philippine 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 as at December 31, 2019 amounts P433,491 (Note 17). A cumulative effect amounting to P350,991 was recognized as a prior period adjustment in the opening balance of the fund balances.

Note 12 - Programs

Program revenues for the year ended December 31, 2019 amounting to P29,699,211 (2018 - P30,816,075) are earned from public and exclusive courses, as well as written reports, rendered by the Association.

Note 13 - Membership dues and contributions

Membership dues and contributions amounting to P5,056,254 for the year ended December 31, 2019 (2018 - P5,322,277) are payments made by Associates, Graduates and Fellows members.

Note 14 - Grants

To support the Association's programs, it received grants amounting to P3,000,000 from various Companies for the year ended December 31, 2019.

Note 15 - Sponsorships

On 2019, the Association received various sponsorships amounting to P1,450,000.

During the year, the Association received golf sponsorships from the guests of the members and clients amounting to P474,464 for the Association's golf tournament.

Note 16 - Program costs

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

	Note	2019	2018
Seminars, conferences and exhibits		7,504,633	8,538,296
Salaries and wages		5,913,881	7,145,521
Professional fees		4,920,379	5,052,203
Corporate governance scorecard expenses		3,205,625	3,254,053
Depreciation	6	1,163,078	996,298
Utilities		808,047	569,565
Membership dues and subscription		656,528	-
Training and development		653,524	249,637
Transportation and travel		561,167	615,293
Office supplies		443,370	56,750
Marketing		154,615	181,117
Miscellaneous		34,697	183,476
		26,019,544	26,842,209

Note 17 - General and administrative expenses

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

	Notes	2019	2018
Salaries and wages		7,955,692	8,339,681
Professional fees		642,014	1,538,918
Transportation and travel		543,752	670,628
Written-off assets		434,841	-
Depreciation	6	290,769	249,075
Repairs and maintenance		220,394	163,699
Utilities		213,532	188,391
Taxes and licenses		175,409	79,709
Membership dues and subscription		130,984	778,166
Office supplies		130,307	206,480
Outside services		123,596	86,874
Training and development		121,009	-
Retirement expense	11	82,500	-
Miscellaneous		318,880	47,087
		11,383,679	12,348,708

Note 18 - Income taxes

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

	2019	2018
Current income tax expense	181,011	239,256
Deferred income tax expense	15,587	1,404
	196,598	240,660

Deferred income tax (DIT)

DIT liability amounting to P21,858 at December 31, 2019 (2018 - P6,271) pertains to unrealized foreign exchange gain.

The Tax Reform Act of 1997 (the Act) introduced NOLCO as a deduction from taxable income for the three consecutive years immediately following the year such loss was incurred.

The details of the Association's NOLCO which can be claimed as deductions from regular corporate taxable income at December 31 are as follows:

Year incurred	Year of expiration	2019	2018
2018	2021	381,822	381,822
Applied		(381,822)	-
		-	381,822
Unrecognized DIT asset at 30%		-	114,547

These NOLCO are available as valid deduction for tax purposes on the Association's activities which are subject to regular tax. The realization of future tax benefit relating to the DIT asset is dependent on many factors including the Association's ability to generate future taxable income. The Association's management has considered these factors in reaching its conclusion not to recognize some DIT asset relating to its NOLCO as at December 31, 2019 and 2018.

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 Tax Reform Act of 1997, the Association shall pay the MCIT or the normal tax, whichever is higher, for the taxable income derived from the taxable activities. Any excess of MCIT over the normal income tax shall be carried forward on an annual basis and credited against the normal income tax for the next three succeeding taxable years. MCIT shall be imposed beginning on the fourth taxable year immediately following the taxable year in which such corporation started its business operations.

Details of MCIT as at December 31 follow:

Year of incurrence	Year of expiry	2019	2018
2018	2021	239,256	239,256
2019	2022	181,011	-
Unrecognized DIT asset		420,267	239,256

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 is summarized below:

	2019	2018
Income tax at statutory rate at 30%	621,991	1,021,314
Adjustments for:		
Unrecognized DTA	310,916	353,803
Non-deductible expenses	177,879	7,500
Interest income subjected to final tax	(1,600)	(1,450)
Application of NOLCO	(114,547)	-
Net income from exempt activities	(798,041)	(1,140,507)
Income tax expense	196,598	240,660

Note 19 - Supplementary information required by the Bureau of Internal Revenue (BIR) under Revenue Regulations No. 15-2010

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

(i) Output value-added tax (VAT)

Details of Association's output VAT declared in 2019 are as follows:

	VAT taxable	VAT-exempt	Total
Receipts	22,794,816	-	22,794,816
Receipts from the government	4,366,970	-	4,366,970
	27,161,786	-	27,161,786
Output VAT rate	12%	0%	
Total Output VAT	3,259,414	-	3,259,414

(ii) Input VAT

Details of the Association's input VAT claimed during 2019 are as follows:

Balance at January 1	203,004
Add: Current year's domestic purchases/payments for:	
Goods other than for resale or manufacture	196,055
Services lodged under other accounts	1,375,005
Tax credit/payments	1,621,450
Total available input VAT	3,395,514
Less: Claims for output VAT	(3,259,414)
Balance, December 31	136,100

(iii) Importations

The Association did not import any goods in 2019, 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, 2019 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, 2019 consist of:

Business permits	9,325
Annual registration	500
Others	500
	10,325

The local and national taxes are included in taxes and licenses under general and administrative expenses (Note 18) in the statement of income for the year ended December 31, 2019.

(vii) Withholding taxes

Details of the Association's withholding taxes paid and accrued in 2019 are as follows:

	Paid	Accrued	Total
Withholding tax on compensation	2,198,429	152,851	2,351,280
Expanded withholding tax	719,954	100,379	820,333
	2,918,383	253,230	3,171,613

(viii) Tax assessments

The Association paid tax deficiencies amounting to P165,084 covering the taxable year 2019, presented under taxes and licenses as part of general and administrative expense (Note 18) within the statement of income. There is no outstanding final assessment notices from the BIR as at December 31, 2019.

(ix) Tax cases

The Association does not have any outstanding tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the BIR at December 31, 2019.