

CARD-Business Development Service Foundation, Inc.
(A Nonstock, Not-for-Profit Organization)

Financial Statements
December 31, 2013 and 2012

and

Independent Auditors' Report

COVER SHEET

C N 2 0 0 8 0 1 8 3 7

SEC Registration Number

C A R D - B U S I N E S S D E V E L O P M E N T S E R V I C E
 F O U N D A T I O N , I N C . (A N o n s t o c k , N o
 t - f o r - P r o f i t O r g a n i z a t i o n)

(Company's Full Name)

2 0 M . L . Q u e z o n S t r e e t , C i t y S u b d i
 v i s i o n , S a n P a b l o C i t y , L a g u n a

(Business Address: No. Street City/Town/Province)

Mr. Aristeo A. Dequito
 (Contact Person)

(049) 562-4309
 (Company Telephone Number)

1 2 3 1
 Month Day
 (Fiscal Year)

A A F S
 (Form Type)

0 7 3 1
 Month Day
 (Annual Meeting)

Not Applicable
 (Secondary License Type, If Applicable)

SEC
 Dept. Requiring this Doc.

Not Applicable
 Amended Articles Number/Section

Not Applicable
 Total No. of Stockholders

Total Amount of Borrowings
₱32.9 million **None**
 Domestic Foreign

To be accomplished by SEC Personnel concerned

 File Number

 LCU

 Document ID

 Cashier

S T A M P S

Remarks: Please use BLACK ink for scanning purposes.

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees
CARD-Business Development Service Foundation, Inc.
(A Nonstock, Not-for-Profit Organization)
20 M.L. Quezon Street, City Subdivision
San Pablo City, Laguna

Report on the Financial Statements

We have audited the accompanying financial statements of CARD-Business Development Service Foundation, Inc. (A Nonstock, Not-for-Profit Organization), which comprise the statements of assets, liabilities and fund balance as at December 31, 2013 and 2012, statements of revenue and expenses and changes in fund balance and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards for Small and Medium-sized Entities, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

SGVFS006405

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of CARD-Business Development Service Foundation, Inc. (A Nonstock, Not-for-Profit Organization) as at December 31, 2013 and 2012, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards for Small and Medium-sized Entities.

Report on the Supplementary Information Required Under Revenue Regulation 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulation 15-2010 in Note 21 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 information is the responsibility of the management of CARD-Business Development Service Foundation, Inc. (A Nonstock, Not-for-Profit Organization). The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Christian G. Lauron
Partner
CPA Certificate No. 95977
SEC Accreditation No. 0790-AR-1 (Group A),
March 1, 2012, valid until March 1, 2015
Tax Identification No. 210-474-781
BIR Accreditation No. 08-001998-64-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4225179, January 2, 2014, Makati City

March 13, 2014

SGVFS006405

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
CARD-Business Development Service Foundation, Inc.
(A Nonstock, Not-for-Profit Organization)

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BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

INDEPENDENT AUDITORS' REPORT TO ACCOMPANY INCOME TAX RETURN

The Board of Trustees
CARD-Business Development Service Foundation, Inc.
(A Nonstock, Not-for-Profit Organization)
20 M.L. Quezon Street, City Subdivision
San Pablo City, Laguna

We have audited the financial statements of CARD-Business Development Service Foundation, Inc. (A Nonstock, Not-for-Profit Organization) (the Organization) for the year ended December 31, 2013, on which we have rendered the attached report dated March 13, 2014.

In compliance with Revenue Regulations V-20, we are stating that no partner of our Firm is related by consanguinity or affinity to the chief executive officer or manager of the Organization.

SYCIP GORRES VELAYO & CO.

Christian G. Lauron
Partner
CPA Certificate No. 95977
SEC Accreditation No. 0790-AR-1 (Group A),
March 1, 2012, valid until March 1, 2015
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March 13, 2014

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CARD-BUSINESS DEVELOPMENT SERVICE FOUNDATION, INC.
(A Nonstock, Not-for-Profit Organization)

STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE

	December 31, 2013	December 31, 2012 (As restated- Note 18)	January 1, 2012 (As restated- Note 18)
ASSETS			
Current Assets			
Cash (Notes 4 and 17)	₱15,676,160	₱16,942,108	₱10,786,458
Financial asset at fair value through profit or loss (Notes 5 and 17)	1,133,787	5,588,768	5,798,605
Current portion of receivables (Note 6 and 17)	18,763,499	23,994,494	15,120,611
Other current assets (Note 7)	13,481,520	20,091,976	12,236,405
Total Current Assets	49,054,966	66,617,346	43,942,079
Noncurrent Assets			
Noncurrent portion of receivables (Note 6)	113,537	113,537	109,518
Investment in associates (Note 8)	30,261,983	-	-
Equity investments at cost (Notes 9 and 17)	9,592,500	9,557,500	9,439,375
Property and equipment (Note 10)	1,053,036	1,725,161	29,555,605
Other noncurrent asset (Note 11)	1,970,413	3,736,913	3,640,000
Total Noncurrent Assets	42,991,469	15,133,111	42,744,498
	₱92,046,435	₱81,750,457	₱86,686,577
LIABILITIES AND FUND BALANCE			
Current Liabilities			
Accounts payable and accrued expenses (Notes 12 and 17)	₱27,893,696	₱15,414,457	₱17,838,978
Current portion of project assistance payable (Notes 13 and 17)	29,116,857	2,500,000	1,250,000
Total Current Liabilities	57,010,553	17,914,457	19,088,978
Noncurrent Liabilities			
Project assistance payable(Notes 13 and 17)	3,750,000	32,866,857	35,366,857
Net retirement liability (Note 14)	6,766,481	8,866,362	5,777,676
Total Noncurrent Liabilities	10,516,481	41,733,219	41,144,533
	67,527,034	59,647,676	60,233,511
Fund Balance			
	24,519,401	22,102,781	26,453,066
	₱92,046,435	₱81,750,457	₱86,686,577

See accompanying Notes to Financial Statements.

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CARD-BUSINESS DEVELOPMENT SERVICE FOUNDATION, INC.
(A Nonstock, Not-for-Profit Organization)

**STATEMENTS OF REVENUE AND EXPENSES
AND CHANGES IN FUND BALANCE**

	Years Ended December 31	
	2013	2012
REVENUES		
Grants (Note 17)	₱15,000,000	₱10,697,754
Project development (Notes 16 and 17)	2,500,000	4,392,000
Marketing fees (Notes 7 and 17)	7,967,995	17,062,532
Share in net income of associate (Note 8)	2,261,983	–
Administrative fees (Note 6)	1,365,930	1,394,968
Others (Note 4)	3,263,203	2,317,282
	32,359,111	35,864,536
EXPENSES		
Project related expenses (Note 15)	18,538,290	28,896,392
Administrative expenses:		
Mark to market loss on FVPL investment (Note 5)	4,454,981	209,837
Compensation and employee benefits (Notes 14 and 17)	2,745,947	4,109,466
Transportation and travel	692,978	1,298,435
Supplies and materials	526,862	835,135
Program monitoring and evaluation	478,684	578,094
Training and development	378,156	860,706
Rental (Notes 16 and 17)	341,361	359,691
Interest (Note 13)	262,155	457,271
Repairs and maintenance	259,886	165,300
Seminars and meetings (Note 17)	227,364	344,234
Management and professional fees	191,941	122,178
Depreciation (Note 10)	169,357	1,163,438
Utilities	135,025	115,551
Insurance	95,529	203,795
Janitorial, messengerial and security	89,798	52,407
Communication	88,287	77,513
Information technology (Note 17)	17,380	236,921
Miscellaneous	248,510	128,457
	11,404,201	11,318,429
	29,942,491	40,214,821
EXCESS OF REVENUE OVER EXPENSES	2,416,620	(4,350,285)
FUND BALANCE AT BEGINNING OF YEAR	22,102,781	26,453,066
FUND BALANCE AT END OF YEAR	₱24,519,401	₱22,102,781

See accompanying Notes to Financial Statements.

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CARD-BUSINESS DEVELOPMENT SERVICE FOUNDATION, INC.
(A Nonstock, Not-for-Profit Organization)

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses	₱2,416,620	(₱4,350,285)
Adjustments for:		
Mark-to-market loss on FVPL investment (Note 5)	4,454,981	209,837
Share in net income of associate (Note 8)	(2,261,983)	–
Interest expense (Notes 13 and 17)	1,310,777	1,829,085
Depreciation (Note 10)	607,005	3,899,368
Provision for impairment and credit losses (Notes 6)	438,786	769,101
Interest income on deposits (Notes 4 and 17)	(426,387)	(507,437)
Operating income before working capital changes	6,539,799	1,849,669
Changes in operating assets and liabilities:		
Decrease (increase) in amount of:		
Receivables (Note 6 and 19)	6,560,730	(9,647,003)
Other current assets (Note 7 and 19)	(350,544)	(355,571)
Increase (decrease) in amount of:		
Accounts payable and accrued expenses (Note 12)	(1,520,761)	(2,024,521)
Retirement liability	(2,099,881)	3,088,686
Net cash flows generated (used in) from operations	9,129,343	(7,088,740)
Interest received	424,866	507,437
Net cash flows from (used in) operating activities	9,554,209	(6,581,303)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Investment in associate (Note 8)	(7,000,000)	–
Property and equipment (Note 10)	(370,363)	(5,495,641)
Equity investments at cost (Note 9)	(127,000)	(518,125)
Other noncurrent assets (Note 11)	(73,500)	(96,913)
Disposals of:		
Property and equipment(Note 10)	435,483	29,426,717
Equity investments at cost (Note 9)	92,000	–
Other noncurrent assets (Note 11 and 19)	73,000	–
Prepaid subscription (Note 7)	(39,000)	(7,500,000)
Net cash flows from (used in) investing activities	(7,009,380)	15,816,038
CASH FLOWS FROM FINANCING ACTIVITY		
Interest paid (Notes 13 and 17)	(1,310,777)	(1,829,085)
Project assistance paid (Note 13)	(2,500,000)	(1,250,000)
Net cash flows used in financing activities	(3,810,777)	(3,079,085)
NET INCREASE (DECREASE) IN CASH	(1,265,948)	6,155,650
CASH AT BEGINNING OF YEAR	16,942,108	10,786,458
CASH AT END OF YEAR (Note 4)	₱15,676,160	₱16,942,108

See accompanying Notes to Financial Statements.

SGVFS006405

CARD-BUSINESS DEVELOPMENT SERVICE FOUNDATION, INC.
(A Nonstock, Not-for-Profit Organization)

NOTES TO FINANCIAL STATEMENTS

1. General Information

CARD-Business Development Service Foundation, Inc., (the Organization) is a nonstock, not-for-profit organization incorporated in the Philippines on January 11, 2008. The Organization is a member of the Center for Agriculture and Rural Development - Mutually Reinforcing Institutions (CARD-MRI) Group and was organized primarily to become CARD-MRI's main vehicle in integrating its micro entrepreneur clients into the mainstream economy while being socially-responsible citizens by providing for their holistic range of business and social service needs.

The Organization also aims to build a professional and sustainable business development service that can respond to the needs of CARD micro-entrepreneur clients in promoting, developing, expanding their business activities and improving their quality of life. These activities include operating as an agent to market the member's products and assisting its members in assessing project feasibilities.

The Organization's principal office is located at 20 M.L. Quezon Street, City Subdivision, San Pablo City, Laguna.

2. Accounting Policies

Basis of Preparation

The accompanying financial statements have been prepared using the historical cost basis except for financial asset at fair value through profit or loss (FVPL) which is measured at fair value, and are presented in Philippine peso, the Organization's functional currency. All values are rounded to the nearest peso unless otherwise indicated.

The financial statements provide comparative information in respect of the previous period. In addition, the Organization presents an additional statement of assets, liabilities and fund balance at the beginning of the earliest comparative period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in the financial statements. An additional statement of assets, liabilities and fund balance as at January 1, 2012 is presented in these financial statements due to the correction of prior period error (Note 18).

Statement of Compliance

The Organization's financial statements have been prepared in accordance with the Philippine Financial Reporting Standards for Small and Medium-sized Entities (PFRS for SMEs).

Consistency of Presentation

The Organization retains the presentation and classification of items in the financial statements from one period to the next unless it is apparent that another presentation or classification would be more appropriate or when the PFRS for SMEs requires a change in presentation.

Significant Accounting Policies

Cash

Cash includes cash on hand and in banks. Cash in banks earn interest at the respective bank deposit rates.

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of recognition

A financial asset or a financial liability is recognized only when the Organization becomes a party to the contractual provisions of the instrument. PAS 39, *Financial Instruments: Recognition and Measurement* is used for recognition and measurement and PFRS for SMEs for disclosures.

Initial recognition of financial instruments

All financial assets and financial liabilities are initially measured at fair value, which is normally the transaction price. Except for financial assets and liabilities at FVPL, the initial measurement of financial instruments includes transaction costs. The Organization classifies its financial assets in the following categories: financial assets at FVPL, financial assets that are debt instruments at amortized cost, financial assets that are equity instruments at cost less impairment, and loan commitments at cost less impairment. Financial liabilities are classified into the following categories: financial liabilities at FVPL and financial liabilities measured at amortized cost.

Management determines the classification of its financial instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

As at December 31, 2013 and 2012, the Organization has no loan commitments at cost less impairment and financial liabilities at FVPL.

Determination of fair value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction is used since it provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, and other relevant valuation models.

Financial assets at FVPL

This category includes convertible debt instrument.

After initial measurement, these financial assets are subsequently measured at fair value. Changes in fair value are recognized in the statement of revenue and expenses and changes in fund balance. Interest earned on holding financial assets at FVPL is included in 'Administrative fees' in the statement of revenue and expenses and changes in fund balance.

Financial assets that are debt instruments at amortized cost

This category includes receivables.

After initial measurement, these financial assets are subsequently measured at amortized cost using the effective interest method, less allowance for credit losses. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The amortization on receivables is included in 'Administrative fees' in the statement of revenue and expenses and changes in fund balance. The losses arising from impairment are recognized in 'Provision for impairment and credit losses'.

Financial assets that are equity instruments at cost less impairment

This category includes equity instruments that are not publicly traded and whose fair value cannot otherwise be measured reliably.

After initial measurement, these financial assets are subsequently measured at cost less any allowance for impairment losses.

Financial liabilities at amortized cost

This category includes accounts payable and project assistance payable, which are not designated at FVPL and where the substance of the contractual arrangement results in the Organization having an obligation either to deliver cash or another financial asset to the holder.

After initial measurement, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate.

Derecognition of Financial Assets and Liabilities

Financial assets

A financial asset is derecognized only when:

- the contractual rights to the cash flows from the financial asset have expired or are settled; or
- the Organization transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the Organization, 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. In this case, the Organization derecognizes the asset, and recognizes separately any rights and obligations retained or created in the transfer.

If a transfer does not result in derecognition because the Organization has retained significant risks and rewards of ownership of the transferred asset, the Organization continues to recognize the transferred asset in its entirety and recognizes a financial liability for the consideration received. The asset and liability shall not be offset. In subsequent periods, the Organization recognizes any income on the transferred asset and any expense incurred on the financial liability.

Financial liabilities

A financial liability (or a part of a financial liability) is derecognized only when it is extinguished (i.e., when the obligation specified in the contract is discharged, is cancelled or expires). When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new

liability, and the difference in the respective carrying amounts is recognized in the statement of revenue and expenses and changes in fund balance.

Impairment of Financial Assets

The Organization assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows.

For instruments 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 instruments measured at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate (which will necessarily be an approximation) of the amount (which might be zero) that the Organization would receive for the asset if it were to be sold at the reporting date.

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 (such as an improvement in the debtor's credit rating), the Organization reverses the previously recognized impairment loss either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset (net of any allowance account) that exceeds what the carrying amount would have been had the impairment not previously been recognized. The Organization recognizes the amount of the reversal in the statement of revenue and expenses and changes in fund balance immediately.

Inventories

The Organization's inventories are products from its project assistance programs offered to CARD members. Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Costs incurred in bringing the product to its present location and condition is accounted for on a moving average basis.

Investment in an Associate

The Organization's investments in 30.0% owned MicroVentures, Inc. (MVI) and 40.0% owned CARD Leasing and Finance Corporation (CLFC) are accounted for under the equity method of accounting. Under this method, the investments are carried at transaction price adjusted to reflect the investor's shares of profit or loss and other comprehensive income of the associate.

If the Organization's share of losses of an associate equals or exceeds the carrying amount of its investment in the associates, the Organization discontinues recognizing its share of further losses. After the Organization's interest is reduced to zero, the Organization shall recognize additional losses by a provision only to the extent that the Organization has incurred legal or constructive obligations or has made payment on behalf of the associate. If the associate subsequently reports profits, the Organization shall resume recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

Property and Equipment

Depreciable property and equipment, which includes, transportation equipment and office furniture, fixtures and equipment, is carried at cost less accumulated depreciation and any impairment in value.

The initial cost of property and equipment consists of its purchase price, including taxes and directly attributable costs of bringing the assets to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged against current operations in the year in which costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Depreciation is calculated on a straight-line basis over the useful life of the asset as follows:

Office furniture, fixtures and equipment	3 years
Transportation equipment	3 years

The useful life and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from the asset.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in 'Other income' in the statement of revenue and expenses and changes in fund balance in the year the asset is derecognized.

Impairment of Property and Equipment and Investment in an Associate

At each reporting date, the Organization assesses whether there is any indication that its property and equipment and investment in an associate may be impaired. When an indicator of impairment exists, the Organization makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash generating unit to which it belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged against current operations in the year in which it arises.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any accumulated depreciation, in the case of property and equipment) had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is credited to current operations.

Fund Balance

Fund balance consists of the amounts contributed by the members of the Organization and all current and prior period results of operations.

Revenue Recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Organization and the revenue can be measured reliably. The following specific recognition criteria must be met before revenue is recognized:

Marketing and project development

Marketing and project development revenues are recognized as they become due and billable.

Grants

Grants are recognized when there is a reasonable assurance that the Organization will comply with the conditions attaching to it, and that the grant will be received. Grants received for a specific purpose or with condition are initially recognized as a liability shown as funds held in trust under 'Accounts payable and accrued expenses' in the statement of assets, liabilities and fund balance, otherwise recorded as 'Grants' in the statement of revenue and expenses and changes in fund balance.

Administrative fees and other income

Administrative fees and other income are recognized when earned.

Cost and Expense Recognition

Cost and expenses are recognized when incurred.

Retirement Benefits

The Organization is covered by a funded noncontributory defined benefit retirement plan.

The Organization's retirement cost is determined using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits payable in the future with respect to services rendered in the current period.

The liability recognized in the statement of assets, liabilities and fund balance, in respect of defined benefit pension plans, is the present value of the defined benefit obligation less the fair value of plan assets at the reporting date. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability. Actuarial gains and losses are immediately charged against or credited to income.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
- b. A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;

- c. There is a change in the determination of whether fulfillment is dependent on a specified asset; or
- d. There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

Organization as lessee

Leases where the lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the statement of revenue and expenses and changes in fund balance on a straight-line basis over the lease term.

Organization as lessor

Leases where the Organization does not transfer substantially all the risk and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rent income. Contingent rents are recognized as revenue in the year in which they are earned.

Borrowing Costs

Borrowing costs are recognized as expense in the year in which these costs are incurred.

Provisions

Provisions are recognized when an obligation (legal or constructive) is incurred as a result of a past event and where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable.

Events After the Reporting Period

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

3. Significant Accounting Judgments and Estimates

Judgments

Management makes judgments in the process of applying the Organization's accounting policies. Judgments that have a significant effect on the reported amounts in the financial statements are discussed below.

a. *Operating leases*

Organization as lessee

The Organization leases the premises it occupies. It has determined that the risks and rewards of ownership of the premises have not been transferred to the Organization.

Organization as lessor

The Organization has determined that it retains the risks and rewards of ownership of the motor vehicles it leases.

b. *Contingencies*

The amount of probable costs for the resolution of possible claims has been developed in consultation with outside legal counsel handling the Organization's defense and is based upon the analysis of potential results.

c. *Going concern*

The Organization's management has made an assessment of the Organization's ability to continue as a going concern and is satisfied that the Organization has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Organization's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Estimates

The key sources of estimation uncertainty at the reporting date that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) *Credit losses on receivables*

The Organization reviews its receivables to assess impairment annually. In determining whether an impairment loss should be recorded, the Organization makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of customers or national or local economic conditions that correlate with defaults on the receivables.

As at December 31, 2013 and 2012, the carrying value of receivables amounted to P18.9 million and P24.1 million, respectively, net of allowance for credit losses amounting to P12.1 million and P12.2 million, respectively (Note 6).

(b) *Impairment of financial assets that are equity instruments at cost less impairment*

The Organization assesses impairment on all of its equity instruments regardless of significance. Impairment of such assets requires estimation since the Organization will approximate the amount that it would receive for the asset if it was to be sold at the reporting date.

The carrying value of the Organization's equity investments at cost as at December 31, 2013 and 2012 amounted to ₱9.6 million (Note 9). No allowance was recognized on these investments.

(c) *Impairment of financial assets at fair value thru profit or loss (FVPL)*

The Organization determines that financial assets at FVPL are impaired when the following loss events have come to the attention of the holder of the asset:

- 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
- observable data indicating that there has been a measurable decrease in the estimated future cash flows from the 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 adverse changes in industry conditions

As at December 31, 2013 and 2012, the mark-to-market loss on financial assets at FVPL amounted to ₱4.5 million and ₱0.2 million, respectively (Note 5).

As at December 31, 2013 and 2012, the carrying value of financial assets at FVPL amounted to ₱1.1 million and ₱5.6 million, respectively (Note 5).

(d) *Impairment of property and equipment, inventories and investment in an associate*

The Organization assesses impairment on property and equipment, inventories and investment in an associate whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Organization considers important which could trigger an impairment review include the following:

- significant or prolonged decline in fair value of the asset;
- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

An assessment is made at each reporting date of whether there is any indication of impairment of an asset, or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated at the higher of the asset's value in use or fair value less cost to sell.

As at December 31, 2013 and 2012, the carrying value of property and equipment amounted to ₱1.1 million and ₱1.7 million, respectively (Note 10). As at December 31, 2013 and 2012, the carrying value of inventories (included under 'other current assets') amounted to ₱12.4 million and ₱10.0 million, respectively (Note 7). The carrying value of investment in an associate and the related allowance for impairment losses amounted to ₱30.3 million and nil, respectively, as at December 31, 2013 and 2012 (Note 8).

(e) *Estimated useful lives of property and equipment*

The Organization estimates the useful lives of its property and equipment. This estimate is reviewed periodically to ensure that the period of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of property and equipment. Refer to the summary of significant accounting policies for the estimated useful lives of property and equipment.

(f) *Present value of retirement obligation*

The cost of defined benefit pension plan and other post employment benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on plan assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

The expected rate of return on plan assets was based on the market prices prevailing on the date applicable to the period over which obligation is to be settled.

The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as at reporting dates.

The present value of the defined benefit obligation amounted to ₱13.9 million and ₱18.1 million as at December 31, 2013 and 2012, respectively. The Organization's net retirement liability amounted to ₱6.8 million and ₱8.9 million as at December 31, 2013 and 2012, respectively (Note 14).

4. **Cash**

This account consists of:

	2013	2012
Cash in banks	₱15,636,060	₱16,902,008
Cash on hand	40,100	40,100
	₱15,676,160	₱16,942,108

Cash in banks earn annual interest rates ranging from 1.5% to 3.8% in 2013 and 1.5% to 3.5% in 2012. Interest income amounting to ₱0.4 million and ₱0.5 million in 2013 and 2012, respectively, was included under 'Others' in the statement of revenue and expenses and changes in fund balance.

5. **Financial Asset at Fair Value through Profit or Loss**

This pertains to a 5-year 'financial assistance' loan granted in 2010 by the Organization to MVI (an affiliate) for the development of CARD members under MVI's *Hapinoy* program. The principal, which carries an administrative fee of 10.8% per annum, is payable quarterly over a period of five years with first installment due after the expiration of two-year grace period. The Organization has the option to convert the loan to equity at the second year mark.

Under the memorandum of agreement, MVI has the option to prepay (partially or in full) the outstanding balance subject to a penalty equivalent to 0.5% of the amount prepaid plus the administrative fee due thereon.

The “Mark-to-market loss on FVPL investment” recognized in the statement of revenue and expenses and changes in fund balance amounted to ₱4.5 million and ₱0.2 million in 2013 and 2012, respectively.

6. Receivables

This account consists of:

	2013	2012
Receivable from members	₱19,035,578	₱20,221,012
Due from affiliates (Note 17)	1,821,068	6,525,372
Other receivables	10,160,408	9,595,626
	31,017,054	36,342,010
Less allowance for credit losses	12,140,018	12,233,979
Total receivables	18,877,036	24,108,031
Less noncurrent portion	113,537	113,537
Current portion	₱18,763,499	₱23,994,494

Receivable from members earn annual nominal administrative fee ranging from 24.0% to 30.0% amounting to ₱1.4 million in 2013 and 2012.

Other receivables include receivables from agricultural trading program arising from marketing the member’s processed and unprocessed rice kernels, renewable energy program, accrued interest and receivables from CARD staff amounting to ₱7.9 million and ₱6.7 million as at December 31, 2013 and 2012, respectively.

Changes in the allowance for credit losses are as follows:

	2013	2012
Balance at beginning of year	₱12,233,979	₱11,689,227
Provision for credit losses (Note 15)	438,786	769,101
Write-off	-	(224,349)
Reversal	(532,747)	-
Balance at end of year	₱12,140,018	₱12,233,979
Individually impaired	₱11,560,621	₱10,734,446
Collectively impaired	579,397	1,499,533
	₱12,140,018	12,233,979

7. Other Current Assets

This account consists of:

	2013	2012
Technical and marketing materials	₱12,747,500	₱9,999,133
Prepaid subscription	539,000	7,500,000
Prepaid expenses	329,321	398,746
Security deposit	160,000	100,000
Others	-	2,388,398
	13,775,821	20,386,277
Less allowance for probable losses	(294,301)	(294,301)
	₱13,481,520	₱20,091,976

Other current assets include items used in technical services and production of marketing materials which generated a marketing fee amounting to ₱8.0 million and ₱17.1 million in 2013 and 2012, respectively.

Prepaid subscription represents deposit for future stock subscriptions to BotiCARD Inc. and CAMIA amounting to ₱0.5 million and ₱39,000, respectively for 2013 and to CLFC and BotiCARD amounting to ₱7.0 million and ₱0.5 million, respectively for 2012.

Others pertain to printing press inventories that were subsequently sold at cost to CLFC in 2013.

8. Investment in an Associate

This account represents the Organization's investments in its 30.0%-owned and 40.0%-owned associates, MVI and CLFC, respectively. The significant influence to CLFC was established after the issuance of the certificate of incorporation of CLFC on January 10, 2013. No dividends were declared by either investees as at the reporting date.

The movements in this account follow:

	2013	2012
Acquisition cost:		
MVI, 30% owned in 2013 and 2012	₱4,000,000	₱4,000,000
CLFC, 40% owned in 2013	28,000,000	-
	32,000,000	4,000,000
Accumulated equity in net earnings (losses):		
Balance at beginning of year	(2,213,895)	-
Share in net income (loss) of associates	2,261,983	-
Balance at end of year	48,088	(2,213,895)
	32,048,088	1,786,105
Less allowance for impairment losses	(1,786,105)	(1,786,105)
	₱30,261,983	₱-

Financial information of investment in associates follows:

	2013		2012
	MVI	CLFC	MVI
Total assets	₱6,202,956	₱63,114,434	₱5,967,828
Total liabilities	21,086,879	27,315,676	22,465,445
Revenue	4,696,996	23,396,155	6,352,419
Net gain (loss)	(2,421,186)	5,654,958	(6,841,227)

Cumulative unrecognized share in net losses of MVI amounted to ₱7.8 million and ₱7.1 million as at December 31, 2013 and 2012, respectively.

9. Equity Investments at Cost

This account consists of investments in unquoted common shares of the Organization's affiliates as follows:

	2013	2012
CARD MRI Information Technology, Inc. (CMIT), 8.5% shares owned	₱8,500,000	₱8,500,000
BotiCARD, Inc., 9% shares owned	900,000	900,000
CARD MRI Insurance Agency, Inc. (CAMIA), 2.03% shares owned	192,500	157,500
	₱9,592,500	₱9,557,500

These investments are carried at cost less any impairment in value (Note 17).

During the year, the Organization purchased additional 254 shares amounting to ₱127,000 and disposed 184 shares amounting to ₱92,000 from CAMIA.

10. Property and Equipment

The composition of and movements in this account follow:

	2013		Total
	Transportation Equipment	Office Furniture, Fixtures and Equipment	
Cost			
Balance at beginning of year	₱2,061,645	₱3,307,794	₱5,369,439
Additions	84,406	285,957	370,363
Disposals	–	(2,018,060)	(2,018,060)
Balance at end of year	2,146,051	1,575,691	3,721,742
Accumulated Depreciation			
Balance at beginning of year	1,052,236	2,592,042	3,644,278
Depreciation (Note 15)	422,871	184,134	607,005
Disposals	–	(1,582,577)	(1,582,577)
Balance at end of year	1,475,107	1,193,599	2,668,706
Net Book Value	₱670,944	₱382,092	₱1,053,036

	2012		
	Transportation Equipment	Office Furniture, Fixtures and Equipment	Total
Cost			
Balance at beginning of year	₱33,739,354	₱3,005,783	₱36,745,137
Additions	5,193,630	302,011	5,495,641
Disposals	(36,871,339)	–	(36,871,339)
Balance at end of year	2,061,645	3,307,794	5,369,439
Accumulated Depreciation			
Balance at beginning of year	5,163,282	2,026,250	7,189,532
Depreciation (Note 15)	3,333,576	565,792	3,899,368
Disposals	(7,444,622)	–	(7,444,622)
Balance at end of year	1,052,236	2,592,042	3,644,278
Net Book Value	₱1,009,409	₱715,752	₱1,725,161

As at December 31, 2013 and 2012, the cost of fully-depreciated assets still in use amounted to ₱1.0million and ₱1.6 million, respectively.

Depreciation on property and equipment is included in the following expenses:

	2013	2012
Project related expenses (Note 15)	₱437,648	₱2,735,930
Administrative expenses	169,357	1,163,438
	₱607,005	₱3,899,368

11. Other Noncurrent Asset

This account represents properties held by the Organization intended for the benefits of its members as structural model for future socialized housing projects. The movements of the account follow:

	2013	2012
Balance at beginning of the year	₱3,736,913	₱3,640,000
Additions	73,500	96,913
Disposals	(1,840,000)	–
Balance at end of year	₱1,970,413	₱3,736,913

12. Accounts Payable and Accrued Expenses

This account consists of:

	2013	2012
Accrued expenses	₱5,605,271	₱5,982,509
Accounts payable	434,207	946,378
Funds held in trust	–	567,125
Subscription payable	21,750,000	7,750,000
Other payables	104,218	168,445
	₱27,893,696	₱15,414,457

Accrued expenses include vacation leave credits, bonuses, professional fees, program monitoring and evaluation, and other expenses (Note 17). Funds held in trust include restricted grants from United Nations Environment Programme for solar project and Cordaid for the assessment of climate smart agricultural extension services. The subscription payable consists of:

	2013	2012
CMIT, 8.5% shares owned in 2010	₱7,750,000	₱7,750,000
CLFC, 40% shares owned in 2013	14,000,000	-
	₱21,750,000	₱7,750,000

13. Project Assistance Payable

This account represents ₱10.0 million and ₱36.6 million loans availed from CARD, Inc. in 2011 and 2008, respectively, for the Organization's expansion program and working capital requirements. The loans are payable within a period of five years and bear an annual interest based on market lending rate. The interest rates applied are 3.0% to 5.0% and 5.0% in 2013 and 2012, respectively. The interest expense recognized are ₱1.3 million and ₱1.8 million, respectively (Note 17).

As at December 31, 2013 and 2012, the Organization's project assistance payable amounted to ₱32.9 million and ₱35.4 million, respectively. The amount payable within 12 months amounted to ₱29.1 million and ₱2.5 million in 2013 and 2012, respectively.

14. Retirement Benefits

The Organization, CARD Bank, Inc., CARD Mutual Benefit Association (MBA), Inc., CARD SME Bank, Inc., CARD MRI Insurance Agency (CAMIA), Inc., CARD MRI Development Institute (CMDI), Inc., CARD MRI Information Technology, Inc. (CMIT), BotiCARD, Inc., and CARD, Inc. maintain a funded and formal noncontributory defined benefit retirement plan - the CARD MRI Multi-Employer Retirement Plan (the Plan) - covering all of their regular employees. The Plan has a projected unit cost format and is financed solely by the Organization and its related parties. The Plan complies with the requirement of Republic Act No. 7641 (The Philippine Retirement Law). The Plan provided lump sum benefits equivalent to at least one half (1/2) month salary for every year of service, a fraction of at least six months being considered as one whole year upon retirement, death, total and permanent disability, involuntary separation (except cause) or voluntary separation after completion of at least ten years of service with the participating companies. However, starting 2011, the Plan provides lump sum benefits equivalent to 120% of final salary for every year of credited service, a fraction of at least six (6) months being considered as one whole year upon retirement, death, total and permanent disability, involuntary separation (except cause) or voluntary separation after completion of at least one year of service with the participating companies.

The principal actuarial assumptions used in determining retirement liability for the Organization's retirement plan as at January 1, 2013 and 2012 are shown below:

	2013	2012
Discount rate	6.4%	6.2%
Future salary increases	12.0	12.0

The amounts recognized in the statement of assets, liabilities and fund balance follow:

	2013	2012
Present value of pension obligation	₱13,905,907	₱18,072,900
Fair value of plan assets	(7,139,426)	(9,206,538)
Net retirement liability	₱6,766,481	₱8,866,362

The movements in the net retirement liability follow:

	2013	2012
Balance at the beginning of the year	₱8,866,362	₱5,777,676
Contributions paid	(2,253,851)	(1,384,761)
Retirement Expense	153,970	4,473,447
	₱6,766,481	₱8,866,362

The amounts included in 'Compensation and employee benefits' account in the statement of revenue and expenses and changes in fund balance are as follows:

	2013	2012
Actuarial loss (gain)	(₱1,783,048)	₱2,362,218
Current service cost	1,309,587	1,562,900
Interest cost	1,120,520	914,700
Interest Income	(493,089)	-
Expected return on plan assets	-	(366,371)
	₱153,970	₱4,473,447

The movements in the fair value of plan assets follow:

	2013	2012
Balance at beginning of year	₱9,206,538	₱7,327,424
Transfer to the plan assets from other MRI entity	(4,745,206)	-
Contributions paid	2,253,851	1,384,761
Return on plan assets	493,089	366,371
Actuarial gain (loss)	(53,237)	127,982
Benefits paid	(15,609)	-
	₱7,139,426	₱9,206,538

The actual return on plan assets amounted to ₱0.4 million and ₱0.5 million 2013 and 2012, respectively.

The major categories of plan assets as a percentage of the fair value of the total plan assets are as follows:

	2013	2012
Cash and cash equivalents	₱3,870,283	₱5,549,570
Investments:		
Equity Instruments	44,978	561,191
Debt Instruments – Government Bonds	2,601,607	2,677,654
Debt Instruments - Other Bonds	–	323,352
Mutual Funds	98,524	–
Loans	441,217	94,771
Others	82,817	–
	₱7,139,426	₱9,206,538

The movements in the present value of the pension obligation follow:

	2013	2012
Balance at beginning of year	₱18,072,900	₱13,105,100
Transfer to the plan assets from other MRI entity	(4,745,206)	–
Actuarial loss (gain)	(1,836,285)	2,490,200
Current service cost	1,309,587	1,562,900
Interest cost	1,120,520	914,700
Benefits paid	(15,609)	–
	₱13,905,907	₱18,072,900

The management performs an Asset-Liability Matching Study (ALM) annually. The overall investment policy and strategy of the Organization's defined benefit plans is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risk of the plans.

Shown below is the Organization's maturity analysis of the undiscounted benefit payments:

	2013	2012
Less than 1 year	₱–	₱84,062
More than 1 year to 5 years	–	508,433
More than 5 years to 10 years	–	1,337,231
More than 10 years to 15 years	19,910,619	20,245,884
More than 15 years to 20 years	–	6,652,704
More than 20 years to 25 years	35,520,221	30,799,782
More than 25 years	396,447,468	328,632,214

15. Project Related Income and Expenses

The income account consists of income generated from product and project development programs implemented by the Organization for its clients and members. In 2013, the Organization sold its printing press and leasing project developments to CLFC for ₱2.5 million (Note 17).

The expense account consists of:

	2013	2012
Compensation and employee benefits (Notes 14 and 17)	₱7,099,623	₱10,432,012
Transportation and travel	1,779,611	2,416,129
Supplies and materials	1,354,787	2,523,633
Program monitoring and evaluation	1,178,200	2,046,641
Interest expense (Notes 13 and 17)	1,048,622	1,371,814
Training and development	1,040,263	2,008,314
Rental (Notes 16 and 17)	877,787	839,279
Repairs and maintenance	668,278	442,306
Seminars and meetings	584,649	803,214
Provision for impairment and credit losses (Notes 6)	438,786	769,101
Depreciation (Note 10)	437,648	2,735,930
Management and professional fees	368,562	314,172
Utilities	347,206	297,132
Insurance	245,645	608,451
Janitorial, messengerial and security	230,910	134,761
Communication	227,023	213,910
Information Technology (Note 17)	44,691	609,226
Miscellaneous	565,999	330,367
	₱18,538,290	₱28,896,392

Miscellaneous includes renewal of business permits and licenses, bank's service charge, registration fee and other expenses.

16. Lease Contracts

As Lessee

The Organization leases premises occupied by its branches, as well as staff houses of its employees. The lease contracts are for one year and are renewable upon mutual agreement between the Organization and the lessors.

The future aggregate minimum lease payments within one year under non-cancelable operating leases are as follows (in millions):

	2013	2012
Not later than one year	₱768,421	₱531,544
Later than one year and not later than five years	219,000	155,088
	₱987,421	₱686,632

The total rent expenses recognized are both ₱1.2 million in 2013 and 2012.

As Lessor

In 2011, the Organization tested the viability of leasing as potential business for CARD MRI Group. Project development income derived from leasing its motor vehicles amounted to ₱4.4 million in 2012. On February 18, 2012, the Organization decided to turn over this project to other CARD MRI institution effective March 30, 2012.

17. Related Party Transactions

In the ordinary course of business, the Organization transacts with related parties. Related parties include trustees, members, officers, employees and entities (affiliates) where trustees, members and officers hold key management positions. Transactions with these related parties include normal banking transactions, interest and non-interest bearing advances or loans, accounts receivable and accounts payable. These transactions are made substantially on the same terms as other individuals and business of comparable risks.

Transactions with retirement plans

Under PFRS for SMEs, certain post-employment benefit plans are considered as related parties. CARD MRI's Multi-Employer Retirement Plan (MERP) is managed by the CARD Employee Multipurpose Cooperative (EMPC). Part of the plan assets are invested in time deposits and special savings accounts with the affiliated banks (Note 14).

Remunerations of Trustees and other Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Organization, directly or indirectly. The Organization considers the members of the board of trustees and senior management to constitute key management personnel for purposes of PAS 24.

The compensation of key management personnel included under 'Compensation and employee benefits' in the statement of revenue and expenses and changes in fund balance are as follows:

	2013	2012
Short-term employee benefits	₱3,240,250	₱3,411,820
Post employment benefits	410,534	572,423
	₱3,650,784	₱3,984,243

Other related party transactions

Transactions between the Organization and its key management personnel meet the definition of related party transactions. Transactions between the Organization and its affiliates within the CARD MRI, also qualify as related party transactions.

Cash, accounts payable and accounts receivable

Cash, accounts payable and accounts receivable held by the Organization for key management personnel and affiliates as at December 31, 2013 and 2012 follow:

Category	December 31, 2013		Nature, Terms and Condition
	Amount/Volume	Outstanding Balance	
CARD Bank			
Cash		₱8,409,946	These are checking and savings account with annual interest rate ranging from 1.5% to 4.75%
Deposits	₱49,530,264		
Withdrawals	(49,413,830)		
Accounts payable		9,954	Pertains to unearned service fees charge & overpayment on supplies billed / 15 days upon receipt of billings
Billings	55,164		
Payments	(109,360)		
Accounts receivable		412,097	Supplies, airfare cost and other expenses billed/ 15 days upon issuance of billings
Billings	10,039,172		
Collections	(9,689,725)		
CARD Inc.			
Accounts payable		19,498	Courier fee & share on telephone bill, overpayment for supplies/ 15 days upon receipt of billings
Billings	28,772		
Payments	(10,412)		

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		December 31, 2013	
Accounts receivable		₱241,155	Supplies, airfare cost, expenses at Kapihan ni Inay and other expenses billed/ 15 days upon issuance of billings
Billings	₱24,224,390		
Collections	(28,446,268)		
CMDI			
Accounts payable		14,934	Un-redeem gift cheque/ service rendered of driver & module/ 15 days upon receipt of billings & redemption of gift cheque
Billings	31,079		
Payments	(43,267)		
Accounts receivable		59,077	Supplies, airfare cost, expenses at kapihan ni inay & telephone bill/ 15 days upon issuance of billings
Billings	1,414,721		
Collections	(1,355,644)		
CARD MBA			
Accounts payable		7,973	Loan Redemption Fund (LRF) for loans of members/ payable every 1st wednesday of the following month
Billings	(11,615)		
Payments			
Accounts receivable		1,049,817	Expenses at Kapihan ni Inay, supplies, airfare cost and telephone bill/15 days upon issuances of billing
Billings	3,525,027		
Collections	(2,481,010)		
CARD SME			
Cash		229,565	Checking and savings account with annual interest rate ranging from 1.5% to 3.50%
Deposits	3,758,184		
Withdrawals	(9,609,323)		
Accounts receivable		2,463	Supplies, airfare cost, expenses at Kapihan ni Inay & telephone bill/ 15 days upon issuance of billings
Billings	1,443,025		
Collections	(1,440,562)		
CARD EMPC			
Accounts receivable		329	Future subscription of CARD Leasing and Finance Corp., supplies and expenses at kapihan ni Inay/15 days upon issuances of billing
Billings	161,576		
Collections	(1,911,247)		
CAMIA			
Accounts receivable		42	Expenses at Kapihan ni Inay, supplies, airfare cost and telephone bill/15 days upon issuances of billing
Billings	485,596		
Collections	(485,554)		
CMIT			
Accounts receivable		1,827	Expenses at Kapihan ni Inay, supplies, airfare cost and telephone bill/15 days upon issuances of billing
Billings	108,837		
Collections	(107,010)		
BotiCARD			
Accounts receivable		35,709	Share on overtime pay of staff
Billings	202,063		
Collections	(166,354)		
RRB			
Accounts receivable		6,583	Expenses for supplies and shared cost incurred during members' convention.
Billings	162,860		
Collections	(156,277)		
CLFC			
Accounts receivable		9,297	Share on payment on telephone bill and various expenses
Billings	11,276,991		
Collections	(11,267,694)		
MVI			
Accounts payable		816,179	Payable for solar products re: charging station
Billings	-		
Payments	-		

		December 31, 2012	
Category	Amount / Volume	Outstanding Balance	Nature, Terms and Conditions
CARD Bank			
Cash		₱8,293,512	Checking and savings account with annual interest rate ranging from 1.5% to 4.75%
Deposits	₱158,251,969		
Withdrawals	(152,044,334)		
Accounts payable		64,150	Pertains to unearned service fees charge & overpayment on supplies billed / 15 days upon receipt of billings.
Billings	77,908		
Payments	(13,758)		
Accounts receivable		62,650	Supplies, airfare cost and other expenses billed/ 15 days upon issuance of billings
Billings	2,841,415		
Collections	(3,223,066)		
CARD Inc.			
Accounts payable		1,138	Courier fee & share on telephone bill, overpayment for supplies/ 15 days upon receipt of billings
Billings	30,765		
Payments	(38,281)		

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Category	December 31, 2012		Nature, Terms and Conditions
	Amount / Volume	Outstanding Balance	
Accounts receivable		₱4,463,033	Supplies, airfare cost, expenses at Kapihan ni Inayand other expenses billed/ 15 days upon issuance of billings
Billings	₱7,672,154		
Collections	(3,222,133)		
CMDI			
Accounts payable		27,122	Un-redeem gift cheque/ service rendered of driver & module/ 15 days upon receipt of billings & redemption of gift cheque
Billings	27,122		
Payments	(47,991)		
Accounts receivable		–	Supplies, airfare cost, expenses at Kapihan ni Inay& telephone bill/ 15 days upon issuance of billings
Billings	64,205		
Collections	(113,548)		
CARD MBA			
Accounts payable		₱19,588	Loan Redemption Fund (LRF) for loans of members/ payable every 1 st wednesday of the following month
Billings	₱28,989		
Payments	(24,032)		
Accounts receivable		5,800	Expenses at Kapihan ni Inay, supplies, airfare cost and telephone bill/15 days upon issuances of billing
Billings	389,555		
Collections	(542,133)		
CARD SME			
Cash		6,080,704	Checking and savings account with annual interest rate ranging from 1.5% to 3.50%
Deposits	13,114,000		
Withdrawals	8,137,142		
Accounts receivable		–	Supplies, airfare cost, expenses at Kapihan ni Inay& telephone bill/ 15 days upon issuance of billings
Billings	734,506		
Collections	(914,944)		
CARD EMPC			
Accounts receivable		1,750,000	Future subscription of CARD Leasing and Finance Corp., supplies and expenses at Kapihan ni Inay15 days upon issuances of billing
Billings	1,754,812		
Collections	(4,812)		
CAMIA			
Accounts receivable		–	Expenses at Kapihan ni Inay, supplies, airfare cost and telephone bill/15 days upon issuances of billing
Billings	29,741		
Collections	(33,073)		
CMIT			
Accounts receivable		–	Expenses at Kapihan ni Inay, supplies, airfare cost and telephone bill/15 days upon issuances of billing
Billings	16,929		
Collections	(30,257)		
BotiCARD			
Accounts payable		–	Payment of staff for medicine/ salary deduction within the month
Billings	1,460		
Payments	(1,460)		
Accounts receivable		250	Share on overtime pay of staff
Billings	8,943		
Collections	(16,325)		
MVI			
Accounts payable		816,179	Payable for solar products re: charging Station
Billings	711,008		
Payments	–		

Others

Other related party transactions of the Organizations are as follows (in thousands):

	2013	2012	Nature, Terms and Conditions
		(As restated)	
Statement of Assets, Liabilities and Fund Balance			
CARD, Inc.			
Project assistance payable	₱32,866	₱35,367	Loans availed from CARD Inc. for the Organization's expansion program and working capital requirements (Note 13)
CAMIA			
Equity investment at cost	193	158	Organization's investment in equity shares with 4.85% ownership (Note 9)
Prepaid Subscription	39	–	Represents deposit for future stock subscription in which CAMIA's has application for increase in shares of stock (Note 7)

	2013	2012 (As restated)	Nature, Terms and Conditions
CMIT			
Equity investment at cost	₱8,500	₱8,500	Organization's investment in equity shares with 15.0% ownership (Note 9)
Subscription payable	7,750	-	Representing liability for the subscription of the shares of CMIT.
MVI			
Financial asset at FVPL	1,143	5,589	A 5 year financial assistance loan for the development of CARD members under MVI's Hapinoy program and carries an administrative fee of 10.8% per annum payable quarterly over 5 years (Note 5)
BotiCARD			
Equity investment at cost	900	900	Organization's investment in equity shares with 9.0% ownership (Note 9)
Prepaid subscription	500	500	Represents deposit for future stock subscription in which BotiCARD's application for increase in shares of stock has not yet filed with the SEC (Note 7)
CARD Leasing and Finance Corp.			
Prepaid subscription	-	7,000	Represents deposit for future stock subscription in which CARD Leasing and Finance Corporation is in the process of establishing its existence (Note 7)
Investment in associate	30,262	-	Organization's 40% ownership in the shares of CLFC (Note 8)
Subscription payable	14,000	-	Organization's payable to CLFC for the remaining shares subscribed but not paid
Statement of Revenue and Expenses and Changes in Fund Balance			
CARD Bank			
Marketing fees	355,725	4,497	Income derived from providing marketing services to CARD MRI group and the related affiliates
CARD EMPC			
Marketing fees	-	0.8	Income derived from providing marketing services to CARD MRI group and the related affiliates.
CARD, Inc.			
Grants	15,000	10,000	Grants from CARD Inc. for the Organization's expansion of non-financial services and other innovative and research program.
Marketing fees	-	5,746	Income derived from providing marketing services to CARD MRI group and the related affiliates
Interest expense	1,310,777	1,829	Interest expense on project assistance payable which bears an annual interest based on market lending rate
Rent expense	162,000	372	The Organization leases premises occupied by its branches, as well as staff houses of its employees (Note 16)
Project development income	-	2,582	Income derived from leasing its motor vehicles to CARD MRI group (Note 16)
CARD MBA			
Marketing fees	258,946	833	Income derived from providing marketing services to CARD MRI group and the related affiliates
Project development income	-	399	Income derived from leasing its motor vehicles to CARD MRI group (Note 16)
CARD SME Bank			
Marketing fees	-	1,249	Income derived from providing marketing services to CARD MRI group and the related affiliates
Project development income	-	328	Income derived from leasing its motor vehicles to CARD MRI group (Note 16)
CMDI			
Seminars and trainings expense	-	2,646	The Organization engaged CMDI for training and development of its members and employees (shown as part of 'Training and development' in the statement of revenue and expenses and changes in fund balance)
Marketing fees	-	38	Income derived from providing marketing services to CARD MRI group and the related affiliates

	2013	2012 (As restated)	Nature, Terms and Conditions
Project development income	P-	P104	Income derived from leasing its motor vehicles to CARD MRI group (Note 16)
CMIT			
Information technology	-	831	This pertains to the CMIT's rendered services in relation to system maintenance agreement and upgrade of the Bank's core banking system (CBS)
Marketing fees	-	6	Income derived from providing marketing services to CARD MRI group and the related affiliates
MVI			
Administrative fees	-	-	Pertains to interest earned on hapinoy loan and hapinoy delivery program provided by the Organization on its members
Mark-to-market loss	4,464,927	210	Loss arising from the decline in the market value of financial assets at fair value thru profit or loss (Note 5)
BotiCARD			
Marketing fees	-	19	Income derived from providing marketing services to CARD MRI group and the related affiliate.
FProject development income	-	152	Income derived from leasing its motor vehicles to CARD MRI group (Note 16)
Rizal Rural Bank			
Marketing fees	-	85	Income derived from providing marketing services to CARD MRI group and the related affiliate.
CLFC			
Project development income	2,500,000	-	Income derived from sale of the printing and leasing services to CLFC

18. Restatement in the 2012 and 2011 Financial Statements

In 2013, the Organization restated its 2012 and 2011 financial statements to effect the correction of error pertaining to the recording of equity investments at cost.

In prior years, the Organization's initial recognition of the equity investments is up to the extent of amount paid rather than the subscription price. The subscribed but unpaid portion is not recorded in the Organization's books as payable. Thus, the unpaid subscription is excluded in the cost of investment recognized.

The tables below show the reconciliation of previously reported and restated balances of financial statements accounts affected by the restatements as at December 31, 2012 and January 1, 2012.

December 31, 2012	As previously reported	Prior period adjustments	As restated
Statement of Assets, Liabilities and Fund Balance			
Equity investments at cost	P1,807,500	P7,750,000	P9,557,500
Accounts payable and accrued expenses	-	7,750,000	7,750,000
January 1, 2011	As previously reported	Prior period adjustments	As restated
Statement of Assets, Liabilities and Fund Balance			
Equity investments at cost	P1,689,375	P7,750,000	P9,439,375
Accounts payable and accrued expenses	400,000	7,750,000	8,150,000

19. Notes to Statement of Cash Flows

The following is the summary of the noncash activities in 2013:

Noncash investing activities	
Transfer of prepaid subscription to investment in associates	₱7,000,000
Sale of other noncurrent assets on account	1,767,000
Subscription to CLFC shares on account	14,000,000

20. Approval for the Release of Financial Statements

The accompanying financial statements of the Organization were reviewed and approved for release by the Organization's BOT on March 13, 2014.

21. Supplementary Information Required Under Revenue Regulation 15-2010

On November 25, 2010, the BIR issued RR 15-2010 to amend certain provisions of RR No. 21-2002 which provides that starting 2010, the notes to the financial statements shall include information on taxes, duties and licenses paid or accrued during the year.

The Organization reported and/or paid the following taxes in 2013:

- a. The components of 'Taxes and licenses' recognized under 'Miscellaneous expenses' in the statement of revenue and expenses and changes in fund balance follow:

Business permits and licenses	₱61,356
Community tax certificate	500
	<u>₱61,856</u>

- b. Details of total remittances of withholding taxes as of December 31, 2013 follow:

	Total Remittances	Balance at December 31, 2013
Withholding taxes on compensation and benefits	₱471,571	₱90,413
Expanded withholding taxes	170,213	13,805
	<u>₱641,784</u>	<u>₱104,218</u>

Tax Contingencies

The Company did not receive any final tax assessments in 2013 nor did it have tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the administration of Bureau of Internal Revenue.

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