

# CARD Employees Multi-Purpose Cooperative

Financial Statements  
December 31, 2021  
(With Comparative Figures for  
December 31, 2020)

and

Independent Auditor's Report



## **INDEPENDENT AUDITOR'S REPORT**

The Members and the Board of Directors  
CARD Employees Multi-Purpose Cooperative

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the financial statements of CARD Employees Multi-Purpose Cooperative (the "Cooperative"), which comprise the statement of financial position as at December 31, 2021 and the statement of operations, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial condition of the Cooperative as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with the Philippine Financial Reporting Framework (PFRF) for Cooperatives as prescribed by Memorandum Circular No. 2015-06 of the Cooperative Development Authority (CDA).

#### **Basis for Opinion**

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). 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 are independent of the Cooperative 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Other Matter**

The financial statements of CARD Employees Multi-Purpose Cooperative for the year ended December 31, 2020, were audited by another auditor who expressed an unmodified opinion on those financial statements on March 30, 2021.

### **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 the PFRF for Cooperatives, 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 Cooperative'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 Cooperative or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Cooperative'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 PSAs 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 PSAs, 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 Cooperative'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 Cooperative'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 Cooperative 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 Supplementary Information Required Under Revenue Regulations 15-2010**

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 23 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 Employees Multi-Purpose Cooperative. 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.

*Miguel U. Ballelos Jr.*

Miguel U. Ballelos, Jr.

Partner

CPA Certificate No. 109950

Tax Identification No. 241-031-088

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 109950-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

CDA Accreditation No. 0054-AF, June 24, 2020, valid until June 23, 2023

BIR Accreditation No. 08-001998-114-2022, January 20, 2022, valid until January 19, 2025

PTR No. 8853488, January 3, 2022, Makati City

March 30, 2022



**CARD Employees Multi-Purpose Cooperative**  
**STATEMENTS OF FINANCIAL POSITION**

	<b>December 31</b>	
	2021	2020
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 4)	₱107,013,009	₱49,734,348
Loans and receivables (Note 5)	1,011,025,439	905,584,463
Other current assets (Note 10)	160,874	3,913,392
<b>Total Current Assets</b>	<b>1,118,199,322</b>	<b>959,232,203</b>
<b>Noncurrent Assets</b>		
Financial assets at cost (Note 6)	149,333,290	119,308,150
Investment in associate (Note 7)	225,602,300	213,594,400
Investment properties (Note 8)	20,876,416	20,876,416
Property and equipment (Note 9)	1,059,633	1,116,576
Retirement asset (Note 16)	4,778,682	4,835,285
Other noncurrent assets (Note 10)	62,037,180	42,836,712
<b>Total Noncurrent Assets</b>	<b>463,687,501</b>	<b>402,567,539</b>
<b>TOTAL ASSETS</b>	<b>₱1,581,886,823</b>	<b>₱1,361,799,742</b>
<b>LIABILITIES AND MEMBER'S EQUITY</b>		
<b>Current Liabilities</b>		
Loans payable (Note 13)	₱78,958,659	₱36,666,667
Accounts and other payables (Note 11)	51,728,749	37,461,566
Accrued expenses (Note 12)	1,264,491	1,608,037
Other current liabilities (Note 14)	158,149,136	102,788,533
<b>Total Current Liabilities</b>	<b>290,101,035</b>	<b>178,524,803</b>
<b>Noncurrent Liabilities</b>		
Loans payable (Note 13)	80,000,000	91,899,377
Other noncurrent liabilities (Note 14)	5,337,500	5,337,500
<b>Total Noncurrent Liabilities</b>	<b>85,337,500</b>	<b>97,236,877</b>
<b>Total Liabilities</b>	<b>375,438,535</b>	<b>275,761,680</b>
<b>Member's Equity</b>		
Common shares (Note 15)	1,043,916,343	960,352,667
Preferred shares (Note 15)	19,506,317	20,368,475
Statutory funds (Note 15)	143,025,628	105,316,920
<b>Total Members' Equity</b>	<b>1,206,448,288</b>	<b>1,086,038,062</b>
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<b>₱1,581,886,823</b>	<b>₱1,361,799,742</b>

*See accompanying Notes to Financial Statements.*



**CARD Employees Multi-Purpose Cooperative**  
**STATEMENTS OF OPERATIONS**

	<b>Years Ended December 31</b>	
	2021	2020
<b>REVENUE</b>		
Interest income (Notes 4, 5 and 10)	<b>₱125,170,481</b>	₱80,768,671
Other income (Note 17)	<b>97,830,700</b>	61,494,725
	<b>223,001,181</b>	142,263,396
<b>OPERATING EXPENSES</b>		
Interest expense (Note 13)	<b>9,145,047</b>	2,801,052
Administrative expenses (Note 18)	<b>23,522,549</b>	17,813,289
	<b>32,667,596</b>	20,614,341
<b>NET SURPLUS BEFORE OTHER ITEMS</b>	<b>190,333,585</b>	121,649,055
<b>NET SURPLUS (FOR ALLOCATION)</b>	<b>₱190,333,585</b>	₱121,649,055
<b>ALLOCATION</b>		
General reserve fund (Note 15)	<b>₱19,033,359</b>	₱12,164,906
Community development fund (Note 15)	<b>5,710,008</b>	3,649,472
Cooperative education & training fund		
Local (Note 15)	<b>1,903,336</b>	1,216,491
Due to Union/Federation (Notes 14 and 15)	<b>1,903,336</b>	1,216,491
Optional fund (Note 15)	<b>13,323,351</b>	8,515,434
Total statutory fund	<b>41,873,390</b>	26,762,794
Share in undivided net surplus		
Interest on share capital (Note 14)	<b>103,922,137</b>	66,420,383
Patronage refund (Note 14)	<b>44,538,058</b>	28,465,878
	<b>148,460,195</b>	94,886,261
<b>TOTAL</b>	<b>₱190,333,585</b>	₱121,649,055

*See accompanying Notes to Financial Statements.  
There are no other comprehensive income items.*



## CARD Employees Multi-Purpose Cooperative

### STATEMENTS OF CHANGES IN EQUITY

	Common Shares (Note 15)	Preferred Shares (Note 15)	Statutory Funds (Note 15)	Undivided Net Surplus	Total
Balance at January 1, 2021	₱960,352,667	₱20,368,475	₱105,316,920	₱-	₱1,086,038,062
Contribution of members	151,418,599	161,517	-	-	151,580,116
Refund of share capital	(67,855,534)	(1,023,675)	-	-	(68,879,209)
Deposit for share capital subscription	-	-	-	-	-
Total comprehensive income for the year	-	-	-	190,333,585	190,333,585
	1,043,915,732	19,506,317	105,316,920	190,333,585	1,359,072,554
Distribution from interest on share patronage refund (Note 14)	611	-	-	-	611
Appropriation on distribution from undivided net surplus (Notes 14 and 15)	-	-	41,873,390	(190,333,585)	(148,460,195)
Due to union/federation (Note 14)	-	-	(1,903,336)	-	(1,903,336)
Utilization of funds (Note 15)	-	-	(2,261,346)	-	(2,261,346)
Balance at December 31, 2021	₱1,043,916,343	₱19,506,317	₱143,025,628	₱-	₱1,206,448,288
Balance at January 1, 2020	₱833,465,378	₱11,111,058	₱121,705,221	₱-	₱966,281,657
Contribution of members	132,730,459	405,167	-	-	133,135,626
Refund of share capital	(40,712,550)	-	-	-	(40,712,550)
Transfers to preferred shares from common shares	(8,852,250)	8,852,250	-	-	-
Total comprehensive income for the year	-	-	-	121,649,055	121,649,055
	916,631,037	20,368,475	121,705,221	121,649,055	1,180,353,788
Distribution from interest on share patronage refund (Note 14)	43,721,630	-	-	-	43,721,630
Appropriation on distribution from undivided net surplus (Notes 14 and 15)	-	-	26,762,794	(121,649,055)	(94,886,261)
Due to union/federation (Note 14)	-	-	(1,216,491)	-	(1,216,491)
Utilization of funds (Note 15)	-	-	(41,934,604)	-	(41,934,604)
Balance at December 31, 2020	₱960,352,667	₱20,368,475	₱105,316,920	₱-	₱1,086,038,062

See accompanying Notes to Financial Statements.



**CARD Employees Multi-Purpose Cooperative**  
**STATEMENTS OF CASH FLOWS**

	<b>Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net surplus	<b>₱190,333,585</b>	₱121,649,055
Adjustments for:		
Dividend income (Notes 6, 7 and 17)	<b>(81,669,437)</b>	(38,116,309)
Interest income from credit operations (Note 5)	<b>(123,873,217)</b>	(78,665,537)
Provision for credit and impairment losses (Notes 5, 8 and 18)	<b>8,403,504</b>	5,119,710
Interest income (Note 17)	<b>(1,297,264)</b>	(2,103,134)
Interest expense (Note 13)	<b>9,145,047</b>	2,801,052
Depreciation and amortization (Notes 8, 9, 10 and 18)	<b>219,500</b>	245,695
Loss (Gain) on sale of investment property	<b>–</b>	(581,505)
Retirement expense, net of contributions (Note 16)	<b>56,603</b>	(547,428)
Net surplus before changes in working capital	<b>1,318,321</b>	9,801,600
Increase in amounts of:		
Loans and receivables	<b>(112,694,479)</b>	(204,513,075)
Other current assets	<b>(19,982)</b>	(322)
Increase (decrease) in amounts of:		
Accounts and other payables	<b>14,267,183</b>	22,812,686
Accrued expenses	<b>(55,051)</b>	(46,932)
Other current liabilities	<b>(95,002,319)</b>	(87,172,511)
Net cash used in operations	<b>(192,186,327)</b>	(259,118,555)
Interest income received	<b>125,170,481</b>	80,768,671
Interest expense paid	<b>(9,433,540)</b>	(2,692,868)
Net cash used in operating activities	<b>(76,449,386)</b>	(181,042,751)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividends received (Notes 6 and 7)	<b>81,669,437</b>	38,116,309
Placement of fund deposits (Note 10)	<b>(55,753,478)</b>	(154,307,384)
Withdrawal of fund deposits (Note 10)	<b>36,553,011</b>	174,726,887
Sale of investment property	<b>–</b>	1,533,000
Sale of investment in stocks	<b>2,449,850</b>	–
Acquisition of:		
Financial assets at cost (Notes 6)	<b>(29,852,490)</b>	(1,800,000)
Investment in associate	<b>(12,007,900)</b>	(13,504,300)
Property and equipment (Note 9)	<b>(156,600)</b>	(29,995)
Computer software and licenses (Note 18)	<b>(5,960)</b>	(5,676)
Net cash provided by investing activities	<b>22,895,870</b>	44,728,840

(Forward)



	<b>Years Ended December 31</b>	
	<b>2021</b>	<b>2020</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Contribution of members	<b>₱151,580,116</b>	₱133,135,626
Refund of share capital	<b>(68,879,209)</b>	(40,712,550)
Proceeds from borrowings (Note 13)	<b>120,000,000</b>	130,000,000
Settlements of Loans payable (Note 13)	<b>(89,607,384)</b>	(39,333,956)
Utilization of statutory funds (Note 15)	<b>(2,261,346)</b>	(41,934,602)
Net cash provided by financing activities	<b>110,832,177</b>	141,154,516
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>57,278,661</b>	4,840,606
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>49,734,348</b>	44,893,742
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)</b>	<b>₱107,013,009</b>	₱49,734,348

*See accompanying Notes to Financial Statements.*



# CARD Employees Multi-Purpose Cooperative

## NOTES TO FINANCIAL STATEMENTS

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### 1. General Information

CARD Employees Multi-Purpose Cooperative (the Cooperative), with registration number 9520-4008972, was registered with the Cooperative Development Authority (CDA) on May 11, 2004 with the following purposes:

- a. to encourage thrift and savings mobilization among the members;
- b. to generate funds and extend credit to the members for productive and provident purposes;
- c. to administer the retirement funds of Center for Agriculture and Rural Development –Mutually Reinforcing Institutions (CARD-MRI) employees;
- d. to administer or manage the health insurance of the members;
- e. to provide goods and services and other requirements to the members;
- f. to promote and advance the economic, social and educational status of the members;
- g. to coordinate and facilitate the activities of the Cooperative;
- h. to advocate for the cause of the Cooperative movement;
- i. to ensure the viability of the Cooperative through the utilization of new technologies;
- j. to advocate for the cause of the Cooperative movement;
- k. to invest in shares of stock, bonds, time deposits, land or such other projects as the Board of Directors may determine to be advisable or proper in order to improve the earning base of the Cooperative thereby making more benefits available to its members; and
- l. to undertake any and all other activities for the effective and efficient implementation of the provisions of the Cooperative Code.

The Cooperative was issued with new Certificate of Registration under Article 144 of Republic Act (RA) 9520, otherwise known as the Philippine Cooperative Code of 2008, on March 4, 2010. The operation of the Cooperative is funded through the share capital and loan availment of members. The Cooperative shall operate within the areas where the institutions under Center for Agriculture and Rural Development Mutually Reinforcing Institutions operate.

Net surplus during the year is allocated and distributed to the members of the Cooperative after setting aside the amounts for statutory reserves. Reserve requirements are further discussed in Note 15.

As set forth in Article 61 of RA 6938, *An Act to Ordain a Cooperative Code of the Philippines*, duly registered cooperatives under this code which do not transact any business with non-members or the general public shall not be subject to any government taxes or fees imposed under the Internal Revenue Laws and other tax laws. The Cooperative was granted a certificate of tax exemption on December 19, 2017 which shall be valid for five years, until December 19, 2022, unless sooner revoked by the Bureau of Internal Revenue (BIR) for violation of any provision of the Joint Revenue Regulations, the terms and conditions indicated in the certificate or upon withdrawal of the Certificate of Registration by the CDA.

As a Cooperative transacting with its members only, the Cooperative is entitled to the following tax exemptions and incentives provided for under Article 60 of Republic Act No. 9520, as implemented by Section 7 of the Joint Rules and Regulations implementing Article 60, 61 and 144 of Republic Act No. 9520:

1. Exemption from income tax on income from CDA-registered operations;
2. Exemption from value-added tax on CDA-registered sales or transactions;



3. Exemption from other percentage tax;
4. Exemption from donor's tax on donations to duly accredited charitable, research and educational institutions and reinvestment to socio-economic projects within the area of operation of the Cooperative;
5. Exemption from excise tax for which it is directly liable;
6. Exemption from documentary stamp tax: Provided, however, that the other party to the taxable document/transaction who is not exempt shall be the one directly liable for the tax;
7. Exemption from payment of annual registration fee of five hundred pesos (₱500.00); and
8. Exemption from all taxes on transactions with insurance companies and banks, including but not limited to 20.00% final tax on interest on deposits and 7.50% final income tax on interest income derived from a depository bank under the expanded foreign currency deposit system.

The Cooperative's registered office address is at 20 M.L. Quezon Street, City Subdivision, San Pablo City, Laguna, Philippines.

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## 2. Summary of Significant Accounting Policies

### Basis of Preparation

The accompanying financial statements have been prepared on a historical cost basis.

The financial statements are presented in Philippine Peso (₱), the Cooperative's functional currency. All values are rounded to the nearest peso, unless otherwise indicated.

### Statement of Compliance

On September 16, 2015, the CDA issued Memorandum Circular No. 2015-06 also known as the Philippine Financial Reporting Framework (PFRF) for Cooperatives which specifically provides for treatment of certain accounts which are unique only to Cooperatives and such peculiarities are in accord with universally accepted cooperative principles. The revised Framework was adopted by the Cooperative on January 1, 2016, the effective date of PFRF for Cooperatives.

Where PFRF for Cooperatives do not specifically address accounting for a certain transaction, events or conditions, the Cooperative considers the requirements and guidance in Philippine Financial Reporting Standard (PFRS) or PFRS for Small and Medium Enterprises (PFRS for SMEs).

The financial statements of the Cooperative have been prepared in accordance with PFRF for Cooperatives prescribed by the CDA.

### *Accounts peculiar to Cooperatives*

The following accounts are peculiar to the Cooperative due to its nature as well as adherence to Cooperative laws, issued policies, rules and regulations, as well as cooperative principles and practices:

- Interest on share capital and patronage
- Due to union/federation
- Statutory funds
- Income taxes - the Cooperative Code states that a cooperative transacting business only with its members is exempt from all government taxes, and therefore cannot apply the PAS for income taxes because of its tax-exempt nature.



For cooperatives transacting business with both members and non-members with accumulated reserves and undivided net savings of not more than ten million pesos (₱10.00 million), they shall be exempt from all national, city, provincial, municipal or barangay taxes of whatever name and nature. Should a cooperative exceed the limit set forth, it shall be imposed taxes and fees based on the provisions as indicated in Article 61 of the Cooperative Code; consequently, it will adopt the accounting standards for income taxes as stated in PAS 12, *Income taxes*.

In 2021 and 2020, the Cooperative only transacted business with its members.

- Presentation of withdrawable common and preferred shares as equity.

#### Presentation of Financial Statements

The Cooperative presents its statement of financial position broadly in order of liquidity. Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the statement of operations unless required or permitted by any accounting standard or interpretation and as specifically disclosed in the accounting policies of the Cooperative.

#### Current versus Non-Current Classification

The Cooperative presents assets and liabilities in statement of financial position based on current and non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period or
- There is unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Cooperative classifies all other liabilities as non-current.

### **Summary of Significant Accounting Policies**

#### Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash in banks earn interest at the prevailing bank deposit rates. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from date of placements and that are subject to insignificant risk of change in value. Checks and other cash items are composed of undeposited checks.



### Financial Instruments - Initial Recognition and Subsequent Measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### *Date of recognition*

Purchases or sales of financial assets that require delivery of the assets within the time frame established by regulation or convention in the marketplace are recognized on settlement date. Generally, settlement date is the date on which the transaction is settled by delivery of the assets that are subject of the agreement. Settlement date accounting refers to (a) the recognition of an asset on the day it is received by the Cooperative, and (b) the recognition of an asset and recognition of any gain or loss on disposal on the day that such asset is delivered by the Cooperative. Loans and receivables are recognized when cash is received by the Cooperative or advanced to the borrowers.

#### *Initial recognition of financial instruments*

The Cooperative shall recognize a financial asset or a financial liability only when the cooperative becomes a party to the contractual provisions of the instrument. When a financial asset or financial liability is recognized initially; a cooperative shall measure it at the transaction price unless the arrangement constitutes, in effect, a financing transaction. A financing transaction may take place in connection with the sale of goods or services, for example, if payment is deferred beyond normal business terms or is financed at a rate of interest that is not a market rate. If the arrangement constitutes a financing transaction, the Cooperative shall measure the financial asset or financial liability at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

#### *Subsequent measurement*

At the end of each reporting period, the Cooperative shall measure financial instruments as follows, without any deduction for transaction costs the Cooperative may incur on sale or other disposal:

- Debt instruments shall be measured at amortized cost using the effective or straight line interest amortization method.
- Debt instruments that are classified as current assets or current liabilities shall be measured at the undiscounted amount of the cash or other consideration expected to be paid or received (i.e. net of impairment unless the arrangement constitutes, in effect, a financing transaction. If the arrangement constitutes a financing transaction, the cooperative shall measure the debt instrument at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.)
- Investments in publicly-traded securities shall be measured at fair value with changes in fair value recognized in profit or loss.
- Investments in non-publicly-traded securities, mutual fund and other externally-managed funds shall be measured at cost less impairment.

### Derecognition of a Financial Instruments

#### *Financial asset*

The Cooperative shall derecognize a financial asset only when:

- (a) the contractual rights to the cash flows from the financial asset expire or are settled, or
- (b) the Cooperative transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or



- (c) the Cooperative, 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 cooperative shall:
  - i. derecognize the asset; and
  - ii. recognize separately any rights and obligations retained or created in the transfer.

The carrying amount of the transferred asset shall be allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations shall be measured at their fair values at that date. Any difference between the consideration received and the amounts recognized and de-recognized in accordance with this paragraph shall be recognized in profit or loss in the period of the transfer.

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

If a transferor provides non-cash collateral (such as debt or equity instruments) to the transferee, the accounting for the collateral by the transferor and the transferee depends on whether the transferee has the right to sell or re-pledge the collateral and on whether the transferor has defaulted. The transferor and transferee shall account for the collateral as follows:

- (a) If the transferee has the right by contract or custom to sell or re-pledge the collateral, the transferor shall reclassify that asset in its statement of financial condition (e.g. as a loaned asset, pledged equity instruments or repurchase receivable) separately from other assets.
- (b) If the transferee sells collateral pledged to it, it shall recognize the proceeds from the sale and a liability measured at fair value for its obligation to return the collateral.
- (c) If the transferor defaults under the terms of the contract and is no longer entitled to redeem the collateral, it shall de-recognize the collateral, and the transferee shall recognize the collateral as its asset initially measured at fair value or, if it has already sold the collateral, de-recognize its obligation to return the collateral.
- (d) Except as provided in (c), the transferor shall continue to carry the collateral as its asset, and the transferee shall not recognize the collateral as an asset.

#### *Financial liability*

A cooperative shall derecognize a financial liability (or a part of a financial liability) only when it is extinguished – i.e. when the obligation specified in the contract is discharged, is cancelled or expires.

If an existing borrower and lender exchange financial instruments with substantially different terms, the Cooperative shall account for the transaction as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a cooperative shall account for a substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the debtor) as an extinguishment of the original financial liability and the recognition of a new financial liability.

The Cooperative shall recognize in profit or loss any difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed.



Offsetting Financial Instruments

Financial assets and financial liabilities are only offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and the Cooperative intends to either settle on a net basis or to realize the asset and the liability simultaneously. This is not generally the case with master-netting agreements and the related assets and liabilities are presented gross in the statement of financial condition.

Income and expense are not offset in the statement of operations unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Cooperative.

As at December 31, 2021 and 2020, no financial assets and liabilities were offset.

Impairment of Financial Assets

The Cooperative assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. 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, such as changes in arrears or economic conditions that correlate with defaults.

*Loans and receivables*

Loans to members not paid in installment due date are considered as portfolio-at-risk (PAR). The CDA prescribes loss rates to be applied to PAR on the basis of the following:

Past due for 360 days and above	100.00%
Past due 30 days but less than 360 days	35.00%

*Financial assets at cost*

In case of unquoted equity investments classified as 'Financial assets at cost', the amount of the impairment is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

Investments in Associates

Associates pertain to all entities over which the Cooperative has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The Cooperative's investments in associate is accounted for using the cost method of accounting per guidelines set by the CDA. In the absence of published price quotation, the Cooperative measures investment in associate at cost less any accumulated impairment losses recognized. An impairment loss occurs when the carrying amount of the investment in associate exceeds its recoverable amount and is recognized in the statement of operations. Dividends received and other distributions from the associate is recognized as 'Dividend income' in the statement of operations.



Property and Equipment

Property and equipment, except land, are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Land is stated at cost less any impairment in value. The initial cost of property and equipment consists of its purchase price, including taxes and any directly attributable costs to bring the asset to its working condition and location for its intended use. Expenditures incurred after items of property and equipment have been put into operation, such as repairs and maintenance are normally charged against operations in the period in which the 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 property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment. All other repair and maintenance expenses are charged to current operation as incurred.

Depreciation commences once the assets are available for use. It is computed using the straight-line method over the estimated useful lives (EUL) of the respective assets.

The EULs of the depreciable assets are as follows:

Land improvements	3 years
Building	10 years
Building improvements	3 years
Furniture, fixtures, and equipment	3-5 years

The EUL and the depreciation method are reviewed periodically to ensure that the period and the method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment. If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectation.

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 included in the statement of operations in the year the asset is derecognized.

The carrying values of the property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, an impairment loss is recognized under 'Provision for credit and impairment losses' in the statement of operations.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is credited against statement of operations.

Investment Properties

Investment properties refers to cost of properties or a portion thereof that generate income or capital appreciation or both, not used in production of goods, supply or services, nor for administrative purposes or sale in the ordinary course of business are measured initially at cost.

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses, if any.



Investment property is derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of operations in the period of retirement or disposal. Expenditures incurred after the investment property has been put into operations, such as repairs and maintenance costs, are charged against income in the year in which the costs are incurred.

Transfers are made to investment property when, and only when, there is a change in use or purpose, evidenced by cessation of owner-occupation or of construction or development, or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

#### Computerization Cost

Computerization cost pertains to the software purchased by the Cooperative recognized at cost.

Computerization cost is amortized over three (3) years and assessed for impairment whenever there is an indication that the software may be impaired. The amortization period and method for software with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on computerization cost is recognized as 'Depreciation and amortization' in the statement of operations.

#### Impairment of Nonfinancial Assets

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

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the assets; and
- significant negative industry or economic trends.

The Cooperative recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amounts are estimated for individual asset or, if it is not possible, for the cash-generating unit to which the asset belongs.

#### *Recoverable amount*

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If it is not possible to estimate the recoverable amount of an individual asset to an asset should be read as references also to an asset's cash-generating unit.

It is not always necessary to determine both an asset's fair value less costs to sell and its value in use. If either of these amounts exceeds the asset's carrying amount, the asset is not impaired and it is not necessary to estimate the other amount.

If there is no reason to believe that an asset's value in use materially exceeds its fair value less costs to sell, the asset's fair value less costs to sell may be used as its recoverable amount. This will often be the case for an asset that is held for disposal.



*Reversal of impairment*

Cooperative shall assess at each reporting date whether there is any indication that an impairment loss recognized in prior periods may no longer exist or may have decreased. If any such indication exists, the Cooperative shall determine whether all or part of the prior impairment loss should be reversed. The procedure for making that determination will depend on whether the prior impairment loss on the asset was based on the recoverable amount of that individual asset, or the recoverable amount of the cash-generating unit to which the asset belongs.

Equity

*Share capital*

Share capital refers to the unit of capital stated in common or preferred share issued by the Cooperative, subscribed and paid by its members. This is measured at par for all shares issued.

*Minimum share capital subscription*

A member shall subscribe at least three thousand pesos (₱3,000.00) and pay for the value under the terms and conditions prescribed in the Membership and Subscription Agreement.

*Deposit for share capital subscription*

Deposit for share capital subscription represents payments made on subscription of shares which cannot be directly credited to 'Common shares or 'Preferred shares' pending application for increase in authorized capital shares with CDA. Deposit for share capital subscription is classified under equity per guidelines set by the CDA.

*Statutory funds*

Statutory funds are mandatory funds set up in accordance with Article 86 of RA 9520 which include general reserve fund, cooperative education and training fund, community development fund and optional fund.

*General reserve fund*

10.00% shall be set aside for the reserve fund. The reserve fund shall be used for the stability of the Cooperative and to meet net losses in its operations. The general assembly may decrease the amount allocated to the reserve fund when it has already exceeded the authorized share capital. Any sum recovered on items previously charged to the reserve fund shall be credited to such fund.

*Cooperative education and training fund*

1.00% shall be set aside for Cooperative Education and Training Fund (CETF). The fund shall provide for the training, development and similar other activities geared towards the growth of the Cooperative. Half of the amounts allocated to the education and training fund annually under this subsection maybe remitted to a union or federation chosen by the Cooperative of which it is a member.

*Community development fund*

3.00% shall be set aside for Community Development Fund. The fund shall provide for the projects and activities that will benefit the community where the Cooperative operates.

*Optional fund*

7.00% shall be set aside for Optional Fund for land and building fund, and such other developmental purposes as may be identified by the Cooperative as approved by the general assembly.



### Share Capital Transactions

The Cooperative accumulates share capital from contribution of members and share of the shareholders from the undivided net surplus. The shares are redeemable upon termination of membership of the member.

#### *Refund of paid-up share capital*

A member whose membership is terminated shall be entitled to a refund of his/her share capital contribution and all other interests in the Cooperative less outstanding loan obligations and other financial accountabilities. However, such refund shall not be made if upon payment, the value of the assets of the Cooperative would be less than the aggregate amount of its debts and liabilities exclusive of his/her share capital contribution. In which case, the terminated member shall continue to be entitled to the interest of his/her share capital contributions, patronage refund and the use of the services of the Cooperative until such time that all his/her interests in the Cooperative shall have been duly paid. Upon the acceptance of his/her withdrawal or approval of his/her termination, however, he/she loses his/her right to attend, participate and vote in any meeting of the BOD or the general assembly.

Members' shares are classified as equity if the Cooperative has an unconditional right to refuse redemption of the members' shares.

#### *Interest in share capital and patronage*

Interest on share capital and patronage are recognized as liability and pertains to interest on share capital and for patronage refund due to members of the Cooperatives, which are determined based on distributable earnings at each end of the reporting date.

#### *Due to union/federation*

An amount set aside for the education and training fund recognized as liability, which is 50.00% of the amount allocated for the CETF.

### Income and Expenses

Income and expenses in the statement of operations are recognized in the books using the modified accrual basis of accounting.

#### Revenue Recognition

As a rule, cooperatives adopt the accrual basis of accounting. However, for credit and other cooperatives, recognition of revenues is on a modified accrual basis; i.e. interest income, fines, penalties and surcharges shall be recognized when earned and actually collected. This is because only interest income, fines, penalties and surcharges on loans receivable that has been realized (i.e. earned and collected) shall be the basis of the income available for distribution to its members through interest on share capital and patronage refund.

#### *Interest income*

Interest income is recognized when earned and collected.

#### *Dividend income*

Dividend is recognized when received.

#### *Membership and administrative fee*

Membership and administrative fees pertain to membership fees and income from handling the health fund of CARD-MRI employees which are collected and recognized upon receipt of cash.



#### *Miscellaneous income*

Miscellaneous income consists of income that does not come from the main operations of the Cooperative and does not fall to any of the income accounts and is recognized when earned.

#### Costs and Expenses

Costs and expenses encompass losses as well as those expenses that arise in the course of the ordinary activities of the Cooperative. Costs and expenses are recognized when incurred.

#### 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).

#### *As a lessee*

Leases in which the lessor retains substantially all the risks and rewards of ownership of an asset are classified as operating leases. Operating lease payments are recognized by the Cooperative as an expense under 'Miscellaneous expense' in the statement of operations on a straight-line basis over the lease term.

#### *As a lessor*

Leases in which the Cooperative does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue under 'Miscellaneous income' in the statement of operations in the period in which they are earned.

#### Retirement Benefits

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

The Cooperative'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.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the statement of operations.



The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan. 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.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in the statement of operations in the period in which they arise.

#### Provisions

Provisions are recognized when the Cooperative has a present obligation (legal or constructive) as a result of a past event and 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. Where the Cooperative expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of operations, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an 'Interest expense' in the statement of operations.

#### Contingent Liabilities and Contingent Assets

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

#### Events After the Reporting Date

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

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### **3. Management's Significant Accounting Judgments and Estimates**

The preparation of the financial statements in compliance with PFRF for Cooperatives requires the Cooperative to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities.

Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.



As of December 31, 2021 and 2020, there are no significant accounting judgment made by management in respect to the preparation of the Cooperative's financial statements.

Estimate

*a. Estimation of allowance for credit losses*

Allowance is made for specific and group of accounts where objective evidence of impairment exists. The Cooperative is required to evaluate the loans receivable account based on the past due amount using the PAR model. Under the PAR model, failure to receive payment one day after the due date of amortization makes the entire loan balance subject to impairment.

The carrying value of loans and receivables amounted to ₱1.01 billion and ₱905.58 million as of December 31, 2021 and 2020, respectively. Allowance for credit losses as of December 31, 2021 and 2020 amounted to ₱31.54 million and ₱23.14 million, respectively (see Note 5).

*b. Retirement and other employee benefits*

The cost of defined benefit pension plans and other post-employment benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The net pension asset amounted to ₱4.78 million and ₱4.83 million as of December 31, 2021 and 2020, respectively (see Note 16).

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific

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#### 4. Cash and Cash Equivalents

The composition of this account follows:

	2021	2020
Petty cash fund	₱5,000	₱10,000
Checks and other cash items	–	371,089
Cash in banks (Note 19)	107,008,009	49,353,259
	<b>₱107,013,009</b>	<b>₱49,734,348</b>

Cash in banks consist of:

	2021	2020
Demand deposit	₱57,022,667	₱20,249,176
Savings deposit	49,985,342	27,133,334
Time deposit	–	1,970,749
	<b>₱107,008,009</b>	<b>₱49,353,259</b>



Demand and savings deposits bear annual interest rates ranging from 0.10% to 1.50% in 2021 and 2020. Time deposit placements with an affiliate, with a term of less than three months, bear interest rates ranging from 2.98% to 4.00% in 2020 (Note 19).

Interest income earned from cash in banks amounted to ₱0.69 million and ₱0.47 million in 2021 and 2020, respectively (Note 17).

## 5. Loans and Receivables

This account consists of:

	2021	2020
Loans receivable	<b>₱1,040,768,917</b>	₱922,938,536
Other receivables (Note 19)	<b>1,799,819</b>	5,785,720
	<b>1,042,568,736</b>	928,724,256
Less: Allowance for credit losses	<b>31,543,297</b>	23,139,793
	<b>₱1,011,025,439</b>	₱905,584,463

Loans receivable pertains to loans offered to members of the Cooperative that earn effective interest ranging from 1.67% to 18.75% in 2021 and 2020.

Other receivables pertain to non-interest-bearing receivables from members extended by the Cooperative to provide medical assistance to members.

As at December 31, 2021 and 2020, all of Cooperative's loans are unsecured.

Loans receivable include past due accounts for more than one year and loans to resigned members amounting to ₱6.63 million and ₱4.78 million as of December 31, 2021 and 2020, respectively. These loans are fully provided with allowance.

Changes in the allowance for credit losses on loans receivable as at December 31, 2021 and 2020 follow:

	2021	2020
Balance at beginning of year	<b>₱23,139,793</b>	₱18,020,083
Provision during the year (Note 18)	<b>8,403,504</b>	5,119,710
Balance at end of year	<b>₱31,543,297</b>	₱23,139,793
Individually impaired	<b>₱6,627,219</b>	₱4,776,554
Collectively impaired	<b>24,916,078</b>	18,363,239
	<b>₱31,543,297</b>	₱23,139,793
Gross amounts of loans individually determined to be impaired, before deducting any individually assessed impairment losses	<b>₱6,627,219</b>	₱4,776,554

Interest income earned from loans receivable recognized in statements of operations amounted to ₱123.87 million and ₱78.48 million in 2021 and 2020, respectively.



## 6. Financial Assets at Cost

This account consists of:

	2021		2020	
	% of ownership	Amount	% of ownership	Amount
CARD Bank, Inc. (CARD Bank)	6.04%	₱57,311,000	6.04%	₱26,469,800
CARD MRI Property Management, Inc. (CMPMI)	8.76%	32,500,100	8.76%	32,500,100
CARD MRI IT, Inc. (CMIT)	8.02%	19,800,000	8.02%	19,800,000
CARD MRI Rizal Bank, Inc. (RBI)	3.00%	17,248,950	3.00%	15,187,500
CARD Leasing & Finance Corp. (CLFC)	13.00%	11,111,750	13.00%	11,111,750
CARD MRI Holdings, Inc. (CMHI)	4.63%	6,250,000	5.00%	6,250,000
CARD - MRI Insurance Agency (CAMIA)	5.23%	2,614,000	5.23%	2,614,000
BotiCARD, Inc. (BotiCARD)	3.56%	1,903,340	3.56%	1,775,000
CARD MRI Astro Laboratories Inc. (CMALI)	4.00%	594,150	12.00%	3,600,000
		<b>₱149,333,290</b>		<b>₱119,308,150</b>

Financial assets at cost are carried at cost less any impairment in value, due to absence of a reliable basis for fair value. The Cooperative intends to hold these investments for the long term.

In 2021, the Cooperative sold 71,997 shares of CARD MRI Astro Laboratories Inc. for ₱4.12 million.

Dividend income from financial assets at cost in 2021 and 2020 amounted to ₱54.91 million and ₱24.61 million, respectively (Note 17).

## 7. Investment in Associate

As at December 31, 2021 and 2020, the Cooperative owns 3,936,530 and 3,458,585 shares equivalent to 26.24% and 30.01%, respectively, in CARD SME, a thrift bank that offers working capital financing to businesses engaged in agricultural services, industry and housing, and provides diversified financial and allied services for its chosen market and constituents especially for small and medium enterprises, microfinance and individuals.

Cost of investment in associate as of December 31, 2021 and 2020 amounted to ₱225,602,300 and ₱213,594,400, respectively. Stock dividends received since the inception of the investment are equivalent to 1,680,507 shares and 1,322,641 shares, respectively as of December 31, 2021 and 2020.

CARD SME's principal place of business is located at 120 M. Paulino Street cor. Burgos Street, San Pablo City, Laguna.

The Cooperative earned dividend income from its investment in associate amounting to ₱26.75 million and ₱13.50 million in 2021 and 2020, respectively.



## 8. Investment Properties

The composition of and movements in this account follow:

	2021			Total
	Land	Buildings	Land Improvement	
<b>Cost</b>				
Balance at beginning and end of year	₱20,876,416	₱-	₱-	₱20,876,416
Reclassifications (Note 9)	-	-	673,047	673,047
Balance at end of year	20,876,416	-	673,047	26,829,273
<b>Accumulated Depreciation</b>				
Balance at beginning of year	-	-	-	-
Reclassifications (Note 9)	-	-	673,044	673,044
Balance at end of year	-	-	673,044	673,044
<b>Net Book Value at End of Year</b>	<b>₱20,876,416</b>	<b>₱-</b>	<b>₱3</b>	<b>₱20,876,419</b>

  

	2020			Total
	Land	Buildings	Land Improvement	
<b>Cost</b>				
Balance at beginning of year	₱21,335,416	₱777,130	-	₱22,112,546
Acquisitions	-	-	-	-
Disposals	(459,000)	(777,130)	-	(1,236,130)
Balance at end of year	20,876,416	-	-	20,876,416
<b>Accumulated Depreciation</b>				
Balance at beginning of year	-	187,807	-	-
Depreciation (Note 18)	-	(187,807)	-	-
Balance at end of year	-	-	-	-
<b>Net Book Value at End of Year</b>	<b>₱20,876,416</b>	<b>₱-</b>	<b>₱-</b>	<b>₱20,876,416</b>

The Cooperative's investment property is mainly composed of tracts of land located in Lucban, Quezon and Bay, Laguna.

In 2020, the Cooperative disposed the remaining house and lots in Bella Vita, Laguna with proceeds amounting to ₱1.53 million resulting in a gain of ₱581,505 which is recognized as part of miscellaneous income (Note 17).

In 2021, the Cooperative reclassified its cost of the fence in Bay, Laguna as investment property instead of property and equipment.

The investment properties were appraised in 2021 as shown below.

Location	Area (in sq. m.)	Acquisition Cost	Appraised Value	Increase/(Decrease)
Lucban, Quezon	39,552	₱4,018,797	₱6,558,000	₱2,539,203
Bay, Laguna	10,400	4,560,317	7,300,800	2,740,483
Bay, Laguna	9,195	11,307,368	16,826,850	5,519,482
Bay, Laguna	805	989,934	966,000	(23,934)
		₱20,876,416	₱31,651,650	₱10,775,234



## 9. Property and Equipment

The composition of and movements in this account follow:

	2021				Total
	Land	Land Improvements	Buildings and Improvements	Furniture, Fixtures and Equipment	
<b>Cost</b>					
Balance at beginning of year	₱770,869	₱673,047	₱1,353,643	₱605,955	₱3,403,514
Additions	–	–	–	156,600	156,600
Disposals	–	–	–	(67,997)	(67,997)
Reclassifications (Note 8)	–	(673,047)	–	–	(673,047)
Balance at end of year	770,869	–	1,353,643	694,558	2,819,070
<b>Accumulated Depreciation</b>					
Balance at beginning of year	–	673,044	1,066,091	547,803	2,286,938
Depreciation (Note 18)	–	–	166,815	46,725	213,540
Disposals	–	–	–	(67,997)	(67,997)
Reclassifications (Note 8)	–	(673,044)	–	–	(673,044)
Balance at end of year	–	–	1,232,906	526,531	1,759,437
<b>Net Book Value at End of Year</b>	<b>₱770,869</b>	<b>₱–</b>	<b>₱120,737</b>	<b>₱168,027</b>	<b>₱1,059,633</b>

	2020				Total
	Land	Land Improvements	Buildings and Improvements	Furniture, Fixtures and Equipment	
<b>Cost</b>					
Balance at beginning of year	₱770,869	₱673,047	₱1,353,643	₱575,960	₱3,373,519
Additions	–	–	–	29,995	29,995
Balance at end of year	770,869	673,047	1,353,643	605,955	3,403,514
<b>Accumulated Depreciation</b>					
Balance at beginning of year	–	673,044	868,718	505,157	2,046,919
Depreciation (Note 18)	–	–	197,373	42,646	240,019
Balance at end of year	–	673,044	1,066,091	547,803	2,286,938
<b>Net Book Value at End of Year</b>	<b>₱770,869</b>	<b>₱3</b>	<b>₱287,552</b>	<b>₱58,152</b>	<b>₱1,116,576</b>

The total cost of fully depreciated assets still in use in 2021 and 2020 amounted to ₱0.68 million and ₱1.31 million, respectively.

## 10. Other Assets

This account consists of:

	2021	2020
<b>Current</b>		
Prepaid expenses	₱160,874	₱140,892
Prepaid subscriptions	–	3,772,500
	<b>160,874</b>	<b>3,913,392</b>
<b>Noncurrent</b>		
Funds and deposits	62,037,180	42,836,712
	<b>62,037,180</b>	<b>42,836,712</b>
	<b>₱62,198,054</b>	<b>₱46,750,104</b>



Prepaid subscriptions pertain to advance payments made by the Cooperative for the subscription of shares of affiliates.

Funds and deposits pertain to restricted amounts set aside as reserves for statutory funds. These are funds placed as time deposits with banks that bear interest ranging from 1.50% to 3.25% in 2021 and 2020. Interest income earned from these deposits amounted to ₱0.61 million and ₱1.63 million in 2021 and 2020, respectively (Note 17).

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### 11. Accounts and Other Payables

This account consists of:

	2021	2020
Health premium fund payable	<b>₱43,621,526</b>	₱20,432,816
Emergency fund payable	<b>4,883,204</b>	2,016,927
Accounts payable (Note 19)	<b>3,127,853</b>	14,968,413
Withholding tax payable	<b>50,476</b>	12,920
Others	<b>45,690</b>	30,490
	<b>₱51,728,749</b>	₱37,461,566

Health premium and emergency fund payable pertains to the amount set aside by the Cooperative to serve as expected payment for the hospitalization, medical and calamity expenses of the members.

Accounts payable consists of unpaid insurance claims and the Cooperative's share in expenses paid for by affiliates such as meetings and seminars while others are unpaid regulatory contributions.

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### 12. Accrued Expenses

This account consists of:

	2021	2020
Professional fees	<b>₱985,600</b>	₱911,142
Employee benefits	<b>278,891</b>	355,423
Interest on borrowings (Note 13)	-	288,493
Others	-	52,979
	<b>₱1,264,491</b>	₱1,608,037

Others pertain to unpaid staff overtime, communication expense and general support services.

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### 13. Loans Payable

This account consists of:

	2021	2020
Loans payable – current	<b>₱78,958,659</b>	₱36,666,667
Loans payable – noncurrent	<b>80,000,000</b>	91,899,377
	<b>₱158,958,659</b>	₱128,566,044



Movements in the account as follows:

	2021	2020
Beginning	<b>₱128,566,044</b>	₱37,900,000
Availments	<b>120,000,000</b>	130,000,000
Repayments	<b>(89,607,385)</b>	(39,333,956)
	<b>₱158,958,659</b>	₱128,566,044

Loans payable include loans from Land Bank of the Philippines (LBP) that bears interest ranging from 5.85% to 6.50% amounting to ₱53.96 million and ₱53.17 million as of December 31, 2021 and 2020, respectively, and loans from CARD MRI Multi-Employer Retirement Plan (MERP) that bears interest ranging from 4.25% to 6.00% amounting to ₱105.00 million and ₱75.40 million in as of December 31, 2021 and 2020, respectively. Interest payments are payable on a quarterly basis.

Loans payable to LBP are collateralized by a Deed of Assignment of the Cooperative's loan receivables. The carrying value of loans receivable held as collateral amounted to ₱15.65 million and ₱19.80 million as of December 31, 2021 and 2020, respectively. Principal payments are payable on a quarterly basis up to March 24, 2023 and May 5, 2023.

Interest expense recognized from these loans amounted to ₱9.15 million and ₱2.80 million in 2021 and 2020, respectively.

#### 14. Other Liabilities

This account consists of the following:

	2021	2020
<b>Current</b>		
Interest on share and patronage refund	<b>₱153,564,336</b>	₱98,474,369
Due to Union/Federation	<b>1,903,336</b>	1,216,491
Others	<b>2,681,464</b>	3,097,673
	<b>158,149,136</b>	102,788,533
<b>Noncurrent</b>		
Subscriptions payable	<b>5,337,500</b>	5,337,500
	<b>₱163,486,636</b>	₱108,126,033

Interest on share and patronage refund pertains to amounts payable to the members of Cooperative as a return for their capital contribution and may be claimed depending on the net surplus for the year. The amount declared as interest is based on the net surplus that the Cooperative earned during the previous year. Each member will receive an interest equal to the proportion of their individual patronage. The distribution made for the year (from the previous year's appropriation on distribution from undivided net surplus) is done in two dividend forms: cash dividend and share dividend on a 50:50 basis.

The movements in the account follow:

	2021	2020
Balance at beginning of year	<b>₱98,474,369</b>	₱124,600,759
Share in undivided net surplus	<b>148,460,195</b>	94,886,261
Cash distribution	<b>(93,369,617)</b>	(77,291,021)
Distribution to share capital	<b>(611)</b>	(43,721,630)
Balance at end of year	<b>₱153,564,336</b>	₱98,474,369



Due to Union/Federation pertains to accumulated amounts set aside to be remitted to the union or federation where the Cooperative is a member. This corresponds to 50.00% of the total annual allocation for Cooperative Education & Training Fund (CETF).

The movements in the account follow:

	2021	2020
Balance at the beginning of year	<b>₱1,216,491</b>	₱1,563,759
Share in CETF (Note 15)	<b>1,903,336</b>	1,216,491
Payment to union/federation	<b>(1,216,491)</b>	(1,563,759)
Balance at end of year	<b>₱1,903,336</b>	₱1,216,491

Subscriptions payable pertains to stock subscriptions of the Cooperative to its associates that remain outstanding as of year-end. Details follow:

	2021	2020
CMHI	<b>₱4,687,500</b>	₱4,687,500
BotiCARD	<b>650,000</b>	650,000
	<b>₱5,337,500</b>	₱5,337,500

Others mainly consist of the amounts due to the resigned member's paid-up capital.

## 15. Member's Equity

### *Share Capital*

As at December 31, 2021 and 2020, the Cooperative's capital shares consist of:

	Shares	
	2021	2020
<b>Common shares - ₱100 par value, 12,500,000 authorized shares</b>		
Issued and outstanding	<b>10,439,163</b>	9,603,526
<b>Preferred shares - ₱100 par value, 300,000 authorized shares</b>		
Issued and outstanding	<b>195,063</b>	203,684

The movements in common and preferred shares follow:

	2021		2020	
	Common	Preferred	Common	Preferred
Issued and outstanding at beginning of year	<b>9,603,526</b>	<b>203,684</b>	8,334,653	111,110
Issued	<b>1,514,192</b>	<b>1,615</b>	1,764,521	4,052
Reclassification	-	-	(88,522)	88,522
Redeemed	<b>(678,555)</b>	<b>(10,236)</b>	(407,126)	-
Issued and outstanding at end of year	<b>10,439,163</b>	<b>195,063</b>	9,603,526	203,684

The Cooperative's preferred shares have no voting rights and may be owned or subscribed by members of the Cooperative.



Deposit for Share Capital Subscription

The Cooperative did not receive any deposits for share capital subscription in 2021 and 2020.

Deposit for share capital subscription is classified under equity in accordance with the Standard Chart of Accounts prescribed by the CDA per Memorandum Circular No. 2016-06.

Capital Management

The contributions from members recognized as common shares and preferred shares represents the capital considered by the Cooperative.

The Cooperative's risk management function has developed and implemented certain minimum stress and scenario tests for identifying the risks to which the Cooperative are exposed, quantifying their impact on the volatility of economic capital. The results of these tests, particularly, the anticipated impact on the realistic balance sheet and revenue account, are reported to the Cooperative's risk management function. The risk management function then considers the aggregate impact of the overall capital requirement revealed by the stress testing to assess how much capital is needed to mitigate the risk of insolvency to a selected remote level.

Regulatory

The operation of the Cooperative is also subject to the regulatory requirements of CDA. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions.

Statutory Funds

The Cooperative provides the minimum mandatory reserve requirements set forth in Chapter 10, Section 87 of Republic Act 6938 entitled "An Act to Ordain a Cooperative Code of the Philippines", which include the 10.00% general reserves fund, 3.00% community development fund, 2.00% CETF and 7.00% optional fund.

The movements in the account follow:

	2021				Total
	General reserve fund	Community development fund	Cooperative education and training fund	Optional fund	
Balance at beginning of year	₱82,416,969	₱9,182,993	₱5,201,526	₱8,515,432	₱105,316,920
Appropriation from undivided net surplus	19,033,359	5,710,008	3,806,672	13,323,351	41,873,390
Due to union/federation (Note 14)	-	-	(1,903,336)	-	(1,903,336)
Utilization of funds	-	(2,202,199)	(61,648)	2,501	(2,261,346)
Balance at end of year	₱101,450,328	₱12,690,802	₱7,043,214	₱21,841,284	₱143,025,628

	2020				Total
	General reserve fund	Community development fund	Cooperative education and training fund	Optional fund	
Balance at beginning of year	₱70,252,063	₱6,183,502	₱4,088,054	₱41,181,602	₱121,705,221
Appropriation from undivided net surplus	12,164,906	3,649,472	2,432,982	8,515,434	26,762,794
Due to union/federation (Note 14)	-	-	(1,216,491)	-	(1,216,491)
Utilization of funds	-	(649,981)	(103,019)	(41,181,604)	(41,934,604)
Balance at end of year	₱82,416,969	₱9,182,993	₱5,201,526	₱8,515,432	₱105,316,920



## 16. Retirement Benefits

The Cooperative, CARD MRI Development Institute, Inc. (CMDI), CARD Mutual Benefit Association (MBA), Inc., CARD SME Bank, Inc. (CSME), CARD MRI Insurance Agency (CAMIA), Inc., CARD Business Development Service Foundation, Inc. (BDSFI), Inc., CARD MRI Information Technology, Inc. (CMIT), CARD Bank, Inc. (CBI), Responsible Investments for Solidarity and Empowerment Financing Co. (RISE), BotiCARD Inc. (BCI), CARD Leasing and Finance Corporation (CLFC), CARD MRI Rizal Bank, Inc. (CMRBI), CARD, Inc. (CI), FDS Asya Philippines Inc. (FDSAP), CARD MRI Hijos Tours, Inc. (CMHTI), CARD MRI Publishing House, Inc. (CMPHI), CARD MRI Astro Laboratories, Inc. (CMALI), CARD MRI Property Management, Inc. (CMPMI), and Mga Likha ni Inay Inc. (MLNI), maintain a funded and formal noncontributory defined benefit retirement plan - the CARD MRI Multi-Employer Retirement Plan (MERP) - covering all of their regular employees and CARD Group Employees' Retirement Plan (Hybrid Plan) applicable to employees hired on or after July 1, 2016. MERP is valued using the projected unit cost method and is financed solely by the Cooperative and its related parties.

MERP and Hybrid Plan comply with the requirements of Republic Act No. 7641 (Retirement Law). MERP provides lump sum benefits equivalent to up 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, or voluntary separation after completion of at least one year of service with the participating companies.

Hybrid Plan provides a retirement benefit equal to 100% of the member's employer accumulated value (the Cooperative's contributions of 8% plan salary to Fund A plus credited earnings) and 100% of the Member's Employee accumulated value (member's own contributions up to 10% of plan salary to Fund B plus credited earnings), if any. Provided that in no case shall 100% of the Employee Accumulated Value in Fund A be less than 100% of plan salary for every year of credited service.

The amounts of retirement asset recognized in the statements of financial position follow:

	2021	2020
Fair value of plan assets	₱13,929,337	₱12,061,389
Present value of retirement obligation	(7,128,179)	(5,250,027)
Effects of asset ceiling	(2,022,476)	(1,976,077)
Net retirement asset	₱4,778,682	₱4,835,285

The movements in the fair value of plan assets follow:

	2021	2020
Balance at beginning of year	₱12,061,389	₱11,243,992
PVO transfer	1,093,314	394,475
Interest income	455,384	632,228
Contributions paid by employer	224,362	-
Return on plan assets	94,888	(150,966)
Benefits paid	-	(58,340)
Balance at end of year	₱13,929,337	₱12,061,389



The movements in the present value of obligation (PVO) follow:

	2021	2020
Balance at beginning of year	<b>₱5,250,027</b>	₱4,313,695
PVO transfer	<b>1,093,314</b>	394,475
Actuarial loss	<b>302,710</b>	65,406
Current service cost	<b>294,177</b>	295,812
Benefits paid	-	(58,340)
Interest cost	<b>187,951</b>	238,979
Balance at end of year	<b>₱7,128,179</b>	₱5,250,027

The composition of retirement expense in 2021 and 2020 as reported under 'Salaries, wages and other benefits' in "Administrative expense" in statements of operations follow:

	2021	2020
Interest income on plan assets	<b>(₱455,384)</b>	(₱632,228)
Current service cost	<b>294,177</b>	295,812
Interest expense on retirement obligation	<b>187,951</b>	238,979
Interest on the effect of the asset ceiling	<b>70,744</b>	146,391
	<b>₱97,488</b>	₱48,954

Components of remeasurement gains (losses) follow:

	2021	2020
Changes in the asset ceiling	<b>₱24,345</b>	₱812,754
Actuarial losses due to changes:		
Financial assumptions	<b>(360,485)</b>	22,435
Experience	<b>53,717</b>	(95,738)
Demographic assumptions	<b>4,058</b>	7,897
Return on plan assets	<b>94,888</b>	(150,966)
	<b>(₱183,477)</b>	₱596,382

Total retirement expense related to the Hybrid Plan amounted to ₱39,751 and nil in 2021 and 2020, respectively.

The latest actuarial valuation report covers reporting period as at December 31, 2021.

The maximum economic benefit of plan assets available is a combination of expected refunds from the plan and reductions in future contributions. The fair values of plan assets as of the end of the reporting period are as follows:

	2021	2020
Government securities	<b>₱5,982,650</b>	₱4,951,200
Cash and cash equivalents	<b>5,674,812</b>	5,582,011
Loans receivable	<b>1,178,422</b>	-
Other bonds	<b>777,257</b>	184,539
Other assets	<b>316,196</b>	276,206
Real estate	-	1,008,332
Mutual funds	-	59,101
Fair value of plan assets	<b>₱13,929,337</b>	₱12,061,389



All plan assets do not have quoted prices in an active market except for government securities. Cash and cash equivalents are deposited in reputable financial institutions and related parties and are deemed to be standard grade. Mutual fund, loans and other assets are unrated.

The plan assets have diverse investments and do not have any concentration risk other than those in government securities which are of low risk.

The overall investment policy and strategy of the Cooperative'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.

The cost of defined retirement plan as well as the present value of the defined benefit obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining pension for the defined benefit plans are shown below:

	2021	2020
Discount rates		
January 1	3.98%	5.54%
December 31	5.15%	3.98%
Future salary increases	5.00%	3.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at the end of the reporting period, assuming all other assumptions were held constant:

	2021		2020	
	+1.00%	-1.00%	+1.00%	-1.00%
Discount rates	(P602,361)	P696,496	(P415,352)	P477,740
Salary rates	689,500	(607,804)	475,668	(421,355)

The Cooperative plans to contribute P43,200 to the defined benefit retirement plan in 2021.

The average duration of the defined benefit obligation at the end of the reporting period is 9.1 years.

Shown below is the maturity analysis of the undiscounted benefit payments:

	2021	2020
Less than 1 year	P420,506	P332,766
More than 1 year to 5 years	2,756,265	2,251,265
More than 5 years to 10 years	3,365,090	2,476,414
More than 10 years to 15 years	6,295,029	2,856,491
More than 15 years to 20 years	2,572,556	1,328,191
More than 20 years to 25 years	1,390,885	1,011,534



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## 17. Other Income

This account consists of:

	2021	2020
Dividend income from investments:		
Financial asset at cost (Notes 6 and 19)	<b>₱54,918,791</b>	₱24,611,913
Investment in associate (Notes 7 and 19)	<b>26,750,646</b>	13,504,396
Membership and administrative fee	<b>15,181,455</b>	14,564,749
Miscellaneous income (Notes 8, 10 and 20)	<b>979,808</b>	8,813,667
	<b>₱97,830,700</b>	₱61,494,725

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## 18. Administrative Expenses

This account consists of the following:

	2021	2020
Provisions for credit and impairment losses (Notes 5 and 8)	<b>₱8,403,504</b>	₱5,119,710
Salaries, wages, and other benefits (Notes 16 and 19)	<b>6,629,897</b>	4,661,080
General support services	<b>3,936,943</b>	3,503,932
Professional and consultancy fees	<b>1,045,631</b>	597,376
Travel and transportation	<b>1,013,302</b>	811,534
Office supplies	<b>533,535</b>	312,651
Taxes, fees and charges	<b>309,540</b>	914,881
Insurance	<b>248,346</b>	233,938
Depreciation and amortization (Notes 8, 9 and 10)	<b>219,500</b>	245,695
Rentals	<b>103,096</b>	131,873
Power, light and water	<b>91,377</b>	62,670
Meetings and conferences	<b>89,436</b>	154,607
Communication	<b>60,812</b>	67,810
Miscellaneous	<b>837,630</b>	995,532
	<b>₱23,522,549</b>	₱17,813,289

Miscellaneous includes bank charges, litigation expense, repair and maintenance, license software and others. In 2021 and 2020, the Cooperative acquired a 1-year licensed software amounting to computer software amounting to ₱5,960 and ₱5,676, respectively. The said amounts are fully amortized during the corresponding year and amortization expense are recognized miscellaneous expense.

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## 19. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. The Cooperative's related parties include:

- a. key management personnel, close family members of key management personnel and entities which are controlled, significantly influenced by or for which significant voting power is held by key management personnel or their close family members,
- b. post-employment benefit plans for the benefit of the Cooperative's employees, and
- c. entities under common significant influence (CARD-MRI entities).



The Cooperative has several business relationships with related parties. Transactions with such parties are made in the ordinary course of business and on substantially same terms, including interest and collateral, as those prevailing at the time for comparable transactions with other parties. These transactions also did not involve more than the normal risk of collectability or present other unfavorable conditions.

Remunerations of Directors and other Key Management Personnel

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

The compensation of key management personnel included under ‘Salaries, wages and other benefits’ (Note 18) follows:

	2021	2020
Short-term employee benefits	<b>₱1,463,640</b>	₱977,880
Post-employment benefits	<b>3,138,896</b>	1,929,347
	<b>₱4,602,536</b>	₱2,907,227

Other related party transactions

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

*Cash and cash equivalents, loans and other receivable and trade and other payables*

The table below shows the cash and cash equivalents, accounts receivable and accounts payable held by the Cooperative for key management personnel, associates and affiliates as at December 31, 2021 and 2020:

Category	December 31, 2021		Nature, Terms and Conditions
	Amount / Volume	Outstanding Balance	
<b>Associate:</b>			
Cash and cash equivalents (Note 4)		<b>₱35,179,555</b>	This pertains to savings and time deposit accounts with CARD SME with annual interest rates ranging from 0.25% to 1.50%.
Deposits	<b>₱185,532,211</b>		
Withdrawals	<b>163,776,453</b>		
Interest income	<b>201,867</b>		This pertains to interest earned from savings and time deposits with CARD SME.
Payable to associate (Note 11 and 12)			– This pertains to the Cooperative’s share of expenses still payable to CARD SME included in “Other accounts payable”.
Billings	–		
Payments	<b>1,136,101</b>		
Receivable from associate (Note 5)			– This pertains to CARD SME’s share of expenses still payable to the Cooperative included in “Other current receivables”.
Billings	<b>15,116</b>		
Collections	<b>15,309</b>		
<b>Other related parties:</b>			
Cash and cash equivalents (Note 4)		<b>54,076,348</b>	This pertains to the savings, checking and time deposit accounts maintained with CARD Bank with annual interest rates ranging from 3.00% to 3.75%.
Deposits	<b>740,584,530</b>		
Withdrawals	<b>705,216,969</b>		
Interest income	<b>467,064</b>		This pertains to interest earned from savings and time deposits with CARD Bank.
Payable to affiliates (Note 11 and 12)		<b>1,285,451</b>	This pertains to the Cooperative’s share of expenses still payable to BotiCARD, Inc. and CARD MBA included in “Other accounts payable”.
Billings	<b>14,880,752</b>		
Payments	<b>26,142,046</b>		

(Forward)



December 31, 2021			
Category	Amount / Volume	Outstanding Balance	Nature, Terms and Conditions
Receivable from affiliates (Note 5)		₱1,232,830	This pertains to CARD MBA's share of expenses still payable to the Cooperative which are unimpaired, due and demandable, and receivables for common shares issued for the employees of an associate included in "Other current receivables".
Billings	₱2,485,108		
Collections	3,895,994		
December 31, 2020			
Category	Amount / Volume	Outstanding Balance	Nature, Terms and Conditions
Cash and cash equivalents (Note 4)		₱13,423,797	This pertains to savings and time deposit accounts with CARD SME with annual interest rates ranging from 0.25% to 1.50%.
Deposits	₱128,997,713		
Withdrawals	118,400,421		
Interest income	1,102,801		This pertains to interest earned from savings and time deposits with CARD SME.
Payable to associate (Note 11 and 12)		1,136,101	This pertains to the Cooperative's share of expenses still payable to CARD SME included in "Other accounts payable".
Billings	1,479,716		
Payments	343,615		
Receivable from associate (Note 5)		193	This pertains to CARD SME's share of expenses still payable to the Cooperative included in "Other current receivables".
Billings	2,873		
Collections	2,680		
<b>Other related parties:</b>			
Cash and cash equivalents (Note 4)		18,708,787	This pertains to the savings, checking and time deposit accounts maintained with CARD Bank with annual interest rates ranging from 1.00% to 3.25%.
Deposits	562,340,679		
Withdrawals	553,748,149		
Interest income	967,625		This pertains to interest earned from savings and time deposits with CARD Bank.
Payable to affiliates (Note 11 and 12)		14,250,522	This pertains to the Cooperative's share of expenses still payable to CARD, Inc. and CARD MBA included in "Other accounts payable".
Billings	55,978,877		
Payments	43,803,698		
Receivable from affiliates (Note 5)		2,643,716	This pertains to the other CARD MRI's share of expenses still payable to the Cooperative which are unimpaired, due and demandable, and receivables for common shares issued for the employees of an associate included in "Other current receivables".
Billings	26,719,233		
Collections	24,098,602		

Investment related transactions with related parties are disclosed in Notes 6 and 7.

## 20. Lease Contracts

### As a lessor

In 2019, the Cooperative entered into renewable operating lease agreements with CLFC for two years without escalation rate.

Operating lease income recognized in 2021 and 2020 under 'Other income' amounted to ₱0.06 million and ₱0.08 million, respectively (Note 17).

### As a lessee

The Cooperative leases its computer units from CLFC. The lease commenced in 2020, with the lease terms of twenty-four (24) months for computers. Leased items shall be surrendered to the lessor after the termination of the lease agreement.

The future aggregate minimum lease payments under operating leases follow:

	2021	2020
Within one year	₱20,050	₱124,344

Operating lease expense recognized in 2021 and 2020 under 'Rentals' in Administrative Cost amounted to ₱0.10 million and ₱0.13 million, respectively (Note 18).



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## 21. Notes to Statement of Cash Flows

The table below provides for the changes in liabilities arising from financing activities:

	January 1, 2021	Additions	Settlements	Other adjustments	December 31, 2021
Loans payable	₱128,566,044	₱120,000,000	(₱89,607,384)	₱-	₱158,958,659

	January 1, 2020	Additions	Settlements	Other adjustments	December 31, 2020
Loans payable	₱37,900,000	₱130,000,000	(₱39,333,956)	₱-	₱128,566,044

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## 22. Approval for the Release of Financial Statements

The accompanying financial statements were approved and authorized for issue by the BOD on March 30, 2021.

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## 23. Supplementary Information Required under Revenue Regulations (RR) 15-2010

On November 25, 2010, BIR issued RR 15-2010 to amend certain provisions of RR 21-2002. The Regulations provide that starting 2010 the notes to financial statements shall include information on taxes, duties and license fees paid or accrued during the taxable year. The Cooperative also reported and/or paid the following types of taxes for the year:

### Taxes and Licenses

Taxes and licenses of the Cooperative consist of:

Documentary stamp tax	₱295,930
Government licenses	5,986
Local taxes	7,624
	<u>₱309,540</u>

### Withholding Taxes

Details of total remittances of withholding taxes are as follows:

Expanded withholding taxes	₱126,717
Withholding taxes on compensation and benefits	42,541
	<u>₱169,258</u>

Details of withholding taxes payable are as follows:

Expanded withholding taxes	₱7,741
Withholding taxes on compensation and benefits	42,745
	<u>₱50,486</u>



Tax Assessment and Cases

On July 26, 2021, the Bureau of Internal Revenue (BIR) has rendered a letter of authority to examine the books of accounts and other accounting records for all revenue taxes including documentary stamp tax and other taxes for the taxable period January 1, 2020 to December 31, 2020. Documents were submitted on August 31, 2021. The BIR has not yet rendered any assessment following the inspection of the Bank's accounting books and records.

