

CARD MRI Hijos Tours Inc.

Financial Statements

December 31, 2021 and 2020

and

Independent Auditor's Report

ENDRIGA, MANANGU & ASSOCIATES
Certified Public Accountants

CARD MRI Hijos Tours Inc.
STATEMENTS OF FINANCIAL POSITION

As of December 31

	<i>Notes</i>	2021	2020
ASSETS			
Current Assets			
Cash	3, 5	P 2,803,343	P 1,877,770
Receivables	3, 6	312,660	104,889
Other current assets	3, 7	103,803	121,348
Total Current Assets		3,219,806	2,104,007
Noncurrent Assets			
Fixed assets, net	3, 8	62,715	10,133
Retirement asset	3, 9	136,689	-
Total Noncurrent Assets		199,404	10,133
TOTAL ASSETS		P 3,419,210	P 2,114,140
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES			
Current Liabilities			
Accrued expenses and other payables	3, 10, 16	P 224,868	P 314,093
Income tax payable	3, 13	-	-
Due to affiliates	3, 14	-	2,024
Total Current Liabilities		224,868	316,117
Noncurrent Liability			
Retirement liability	3, 9	-	583,712
STOCKHOLDERS' EQUITY			
Capital stock	3, 11	2,000,000	2,000,000
Retained earnings (Deficit)	3	1,194,342	(785,689)
Total Stockholders' Equity		3,194,342	1,214,311
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		P 3,419,210	P 2,114,140

See accompanying Notes to Financial Statements.



CARD MRI Hijos Tours Inc.
STATEMENTS OF INCOME

		For the Years Ended December 31	
	Notes	2021	2020
SERVICE REVENUE	3	P 6,547,427	P 3,621,903
COST OF SERVICES	3	2,281,663	1,356,604
GROSS INCOME		4,265,764	2,265,299
OPERATING EXPENSES			
Salaries and wages		1,587,230	1,870,965
Transportation and travel		176,584	215,570
Office supplies		169,234	160,119
Program, monitoring and evaluation		151,628	102,176
Retirement expense	3, 9	95,123	86,057
Insurance expense		88,112	15,286
Staff training and development		56,629	121,300
Taxes and licenses		42,071	77,053
Rent		40,564	33,804
Depreciation expense	3, 8	31,348	5,733
Seminars and meetings		14,133	103,285
Miscellaneous expense	12	448,807	340,956
		2,901,463	3,132,304
OPERATING INCOME (LOSS)		1,364,301	(867,005)
OTHER INCOME (CHARGES)			
Actuarial gain (loss) on retirement plan	3, 9	740,668	(28,475)
Interest income	3, 5	17,470	28,823
Other income		-	1
		758,138	349
INCOME (LOSS) BEFORE TAX		2,122,439	(866,656)
PROVISION FOR INCOME TAX	3, 13	142,408	51,071
NET INCOME (LOSS) AFTER TAX		P 1,980,031	P (917,727)

See accompanying Notes to Financial Statements.



CARD MRI Hijos Tours Inc.
STATEMENTS OF CHANGES IN EQUITY

As of December 31

	Common Stock (Note 11)	Retained Earnings (Deficit)	Total
At January 1, 2021	P 2,000,000	P (785,689)	P 1,214,311
Net income for the year	-	1,980,031	1,980,031
At December 31, 2021	P 2,000,000	P 1,194,342	P 3,194,342
At January 1, 2020	2,000,000	116,643	2,116,643
Prior period adjustment (Note 16)	-	15,395	15,395
As restated		132,038	2,132,038
Net loss for the year	-	(917,727)	(917,727)
At December 31, 2020	P 2,000,000	P (785,689)	P 1,214,311

See accompanying Notes to Financial Statements.

CARD MRI Hijos Tours Inc.
STATEMENTS OF CASH FLOWS

For the Years Ended December 31

	<i>Notes</i>	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss) before tax		P 2,122,439	P (866,656)
Adjustments for:			
Actuarial (gain) loss on retirement plan	9	(740,668)	28,475
Interest income	5	(17,470)	(28,823)
Depreciation expense	8	31,348	5,733
Retirement expense, net of contributions paid	9	20,267	8,233
Operating income (loss) before working capital changes		1,415,916	(853,038)
Changes in operating assets and liabilities			
Decrease (increase) in:			
Receivables	6	(207,772)	185,324
Other current assets	7	17,545	(79,887)
Increase (decrease) in:			
Due to affiliates	14	(2,024)	(5,678)
Accrued expenses and other payables	10	(89,226)	24,491
Net cash provided by (used in) operations		1,134,439	(728,788)
Interest received	5	17,470	28,823
Income taxes paid	13	(142,407)	(69,800)
Net cash provided by (used in) operating activities		1,009,502	(769,765)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of property and equipment	8	(83,929)	-
Net cash provided by (used in) investing activities		(83,929)	-
NET INCREASE (DECREASE) IN CASH		925,573	(769,765)
CASH AT BEGINNING OF YEAR		1,877,770	2,647,535
CASH AT END OF YEAR		P 2,803,343	P 1,877,770

See accompanying Notes to Financial Statements.

CARD MRI Hijos Tours Inc.
NOTES TO FINANCIAL STATEMENTS
As of and for the years ended December 31, 2021 and 2020

1. General Information

CARD MRI Hijos Tours Inc. (the Company), was incorporated and duly registered with the Securities and Exchange Commission (SEC) on July 11, 2017. The Company's primary purpose are: (a) to provide a heritage tour program for local, inbound and outbound tours; (b) to create a venue for inclusive tourism where CARD clients and their families will be involved; and (c) to share the CARD MRI story and heritage sites in different parts of the country and help in the promotion on country's tourism.

The Company is a member of Center for Agriculture and Rural Development (CARD) - Mutually Reinforcing Institutions (MRI).

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

2. Financial Reporting Framework

Basis of Preparation

The Company's financial statements have been prepared under the historical cost basis. The financial statements are presented in Philippine peso (P), which is the Company's functional currency. All amounts are rounded to the nearest peso unless otherwise stated.

Statement of Compliance

The financial statements of the Company have been prepared in accordance with the Philippine Financial Reporting Standards for Small Entities (PFRS for SEs) as approved by the Financial Reporting Standards Council, Board of Accountancy and the Securities and Exchange Commission (SEC).

Functional and Presentation Currency

These financial statements are presented in Philippine Peso, the currency of the primary economic environment in which the Company operates. All amounts are rounded to the nearest peso, except when otherwise indicated.

3. Summary of Significant Accounting Policies

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.



Cash

Cash includes cash on hand and in bank and is carried in the statement of financial position of nominal amount. Cash in bank represents savings deposit in a bank that earns interest at the respective bank deposit rates.

Financial Instruments

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

Basic Financial Instruments

The Company's basic financial assets and liabilities are measured initially at transaction price (including transaction costs).

Basic Financial Instruments at amortized cost

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

Effective Interest Method

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

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

Basic Financial Instruments measured at undiscounted amount

Short term debt instruments are measured at undiscounted amount of the cash or other consideration expected to be paid or received (i.e. net of impairment).

Cash is included in this category.

Basic Financial Instruments measured at lower of cost or fair value

The Company has no basic financial instruments measured at lower or cost or fair value at the end of each reporting period.

Impairment of Financial Assets Measured at Cost or Amortized Cost

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

Objective evidence that a financial asset or group of assets is impaired includes observable data that come to the attention of the Company about the following loss events:

- A breach of contract by the debtor, such as default or delinquency in interest or principal payments
- The Company, for economic or legal reasons relating to the debtor's financial difficulty, granting the debtor a concession that the Company would not otherwise consider; or
- Significant financial difficulty of the debtor or the issuer or it has become probable that the debtor or the issuer will enter bankruptcy or other financial reorganization.

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

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

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

Derecognition of financial assets

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

Derecognition of financial liabilities

The Company derecognizes a financial liability (or a part of a financial liability) only when it is extinguished or when the obligation specified in the contract is discharged, is cancelled or has expired.

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

Inventories

Inventories are stated at the lower of cost and its market value. Costs of inventories include all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Other Current Assets

Other current assets represent assets of the Company which are expected to be realized or consumed within one year or within the Company's normal operating cycle whichever is longer. Other current assets are presented in the financial position at cost.

Property and Equipment

Property and equipment are tangible assets that are held for use in the supply or services and for administrative purposes, and are expected to be used during more than one period.

Items of property and equipment are initially measure at cost. Such cost includes purchase price and all incidental costs necessary to bring the asset to its location and condition. Subsequent to initial recognition, items of property and equipment are measured in the statement if financial position at cost less accumulated depreciation and any accumulated impairment losses. Depreciation, which is computed on a straight-line basis, is recognized so as to allocate the cost of assets less their residual values over their estimated useful lives.

If there is an indication that there has been a significant change in useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

When assets are sold, retired or otherwise disposed of, their cost and related accumulated depreciation and amortization and impairment losses, if any, are removed from the accounts and any resulting gain or loss is reflected in profit or loss for the period.

Impairment of Non-Financial Assets

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

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

Provisions and Contingencies

Provisions

Provisions are recognized only when the Company has an obligation as a result of a past event; it is probable that the Company will be required to transfer economic benefits in settlement; and the amount of obligation can estimated reliably.

Provisions are recognized initially at the best estimate of the amount required to settle the obligation. Subsequently, the Company charged to the provision only those expenditures for which the provision was originally recognized.

Contingent Assets and Liabilities

Contingent assets and liabilities are not recognized in the statement of financial position.

Capital Stock

Capital stock is recognized as issued when the stock is paid for or subscribed under a binding subscription agreement and is measured at par value.

Retained Earnings

Retained earnings represent the cumulative balance of periodic net income, prior period adjustments and effect of changes in accounting policies, and other capital adjustments, net of any dividend declaration. Dividends, except for stock dividends, are recognized as a liability and deducted from equity when they are approved by the Company's Board of Directors and/or stockholders. Dividends for the period that are approved after the end of the financial reporting period are dealt with as an event after the financial reporting period. Retained earnings may also include the effect of changes in accounting policy as may be required by the accounting standard's transitional provisions.

Revenue Recognition

Service Revenue

Service revenue is recognized in the accounting period in which the services are rendered, by reference to the completion of the specific transaction assessed on the basis of the actual service provided. This includes income recognized from tour programs including Hijos de San Pablo, Hijos de Balangiga and Hijos de Iloilo. Other services are flight booking, hotels reservation, itinerary planning and passport and visa processing.

Interest income

Interest income on deposits in banks is recognized as interest accrues, taking into account the effective yield of the asset.

Expenses

Expenses are recognized in the statement of income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Expenses are recognized in the statement of income:

- on the basis of a direct association between the costs incurred and the earning of specific items of income;
- on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or
- immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the statement financial position as an asset.

Cost of services mainly comprise of personnel costs which are provided in the period when services are rendered.

Retirement Benefits

The Company operates a defined benefit retirement plan which requires contribution to be made to a separately administered fund. 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 (if any), 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 future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on nonroutine settlements are recognized as expense in the statement of income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by an independent qualified actuary.

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 income.

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 profit or loss in the period in which they arise.

Remeasurements are not reclassified to the statement of income in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Income Tax

The Company's income tax expense includes only the current income tax. Income tax expense and liability are recognized based on the taxable income for the year using the tax rates that have been enacted or substantively enacted at the reporting date.

Related Parties

Parties are considered to be related if one party has the ability to, directly or indirectly, control or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject common control or common significant influence.

Related parties include members of key management personnel, including directors and officers of the Company and their close family members, and companies associated with these individuals. In considering each possible related entity relationship, attention is directed to the substance of the relationship and not merely the legal form.

Foreign Currency Transactions

Transactions in foreign currencies are translated into Philippine peso at exchange rates which approximate those prevailing on transaction dates. Monetary assets and liabilities denominated in foreign currencies are restated at the closing exchange rate prevailing as of reporting date. Exchange gains and losses arising from the settlement and restatement of foreign currency denominated monetary assets and liabilities are recognized in the statement income.

Events after the Reporting Date

Events after the reporting date that provide additional information about conditions existing at period end (adjusting events) are recognized in the financial statements. Events after the reporting date that provide additional information about conditions existing after period end (non-adjusting events) are disclosed in the notes to the financial statements.

4. Information About Key Sources of Estimation Uncertainty and Judgments

The preparation of financial statements in accordance with PFRS for SEs requires the Company to make judgments and estimates that affect the reported amounts of assets, liabilities, income, and expenses, and disclosure relating to contingent assets and contingent liabilities. Future events may occur which may cause the assumptions used in arriving at the estimates to change. The effects of any change in judgments and estimates are reflected in the financial statements as they become reasonably determinable.

Judgment and estimates are continually evaluated and are based on expectations of future events that are believed to be reasonable under the circumstances.

As of December 31, 2021 and 2020, management assessed that there is no significant judgment exercised in respect to the preparation of the financial statements.

Estimates

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

Present value of retirement liability

The cost of defined benefit retirement plan and other post-employment benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as of reporting date, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The present value of the retirement liability and fair value of plan assets are disclosed in Note 9.

5. Cash

This account consists of:

	2021		2020
Cash in bank	P 2,793,343	P	1,867,770
Petty cash fund	10,000		10,000
	P 2,803,343	P	1,877,770

Cash in bank consists of savings deposit with three local banks earning an annual interest rate ranging from 0.05% to 1.5% in 2021 and 2020.

Interest income earned by the Company from deposits amounted to P17,470 and P28,823 in 2021 and 2020, respectively.

6. Receivables

This account consists of:

		2021		2020
Due from affiliates (Note 14)	P	500	P	81,577
Other receivables		312,160		23,312
	P	312,660	P	104,889

All receivables are demandable and non-interest bearing. Other receivables consists of receivables related to the Company's ordinary course of business.

7. Other Current Assets

This account consists of:

		2021		2020
Prepaid expenses	P	80,365	P	77,457
Security deposit- computer		17,595		17,595
Supplies inventory		5,843		1,600
Prepaid tax		-		24,696
	P	103,803	P	121,348

Prepaid expenses mainly consist of accident insurance premium paid in advance which is expected to be consumed within the 12-month period normal course of business.

Prepaid tax represents overpayment of income tax.

8. Fixed Assets, net

Details of fixed assets is as follows:

2021

Cost:		Office Equipment		Office Computer		Total
Balance at beginning of the year	P	17,300	P	-	P	17,300
Additions		-		83,929		83,929
Balance at end of the year		17,300		83,929		101,229
Accumulated Depreciation						
Balance at beginning of the year		7,167		-		7,167
Depreciation		5,733		25,614		31,347
Balance at end of the year		12,900		25,614		38,514
Net Book Value	P	4,400	P	58,315	P	62,715

2020

Cost:		Office Equipment		Office Computer		Total
Balance at beginning of the year	P	17,300	P	-	P	17,300
Additions		-		-		-
Balance at end of the year		17,300		-		17,300
Accumulated Depreciation						
Balance at beginning of the year		1,433		-		1,433
Depreciation		5,733		-		5,733
Balance at end of the year		7,167		-		7,167
Net Book Value	P	10,133	P	-	P	10,133

9. Employee Benefits

The Company maintains a non-contributory and a defined benefit type which provides a retirement benefit equal to 120% of plan salary for every year of credited service. The plan provides lump sum benefits upon retirement or separation in accordance with the terms of the plan.

In addition to the Company's defined benefit retirement plan, the Company is also a participant to the CARD Group Employees' Retirement Plan (New Plan applicable to employees hired on or after July 1, 2016) which provides a retirement benefit equal to 100% of the member's employer accumulated value (the Company's contributions of 8% of plan salary to Fund A plus credited earnings) and 100% of the member's employee accumulated value (Member's own voluntary contributions up to 10% of plan salary to Fund B plus accredited earnings), if any. Provided that in no case shall 100% of the employed accumulated value in Fund A be less than 100% of plan salary for every year of credited service.

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

The amounts recognized in the statement of financial position follows:

		2021		2020
Fair value of plan assets	P	(372,167)	P	(339,239)
Present value of defined benefit obligation		213,277		922,951
Effect of asset ceiling		22,201		-
Retirement (asset) liability	P	(136,689)	P	583,712

The retirement expense recognized in profit or loss:

		2021		2020
Current service cost	P	73,806	P	58,669
Net interest		21,317		27,388
	P	95,123	P	86,057

The movements in the present value of pension obligation follows:

		2021		2020
Balance at the beginning of the year	P	922,951	P	769,441
Interest expense		34,241		42,627
Current service cost		73,806		58,669
Actuarial (gain) loss		(761,118)		24,783
Transfers to the plan		(56,603)		27,431
Balance at the end of the year	P	213,277	P	922,951

The movements in the fair value of plan assets follows:

		2021		2020
Balance at the beginning of the year	P	339,239	P	222,437
Interest income		12,924		15,239
Contributions		74,856		77,824
Transfer to (from) the plan		(56,603)		27,431
Return on plan asset		1,751		(3,692)
Balance at the end of the year	P	372,167	P	339,239

The movements in the net retirement liability (asset) follows:

		2021		2020
Balance at the beginning of the year	P	583,712	P	547,004
Retirement expense recognized in P&L		95,123		86,057
Retirement (income) expense recognized in OCI		(740,668)		28,475
Contributions		(74,856)		(77,824)
	P	(136,689)	P	583,712

The fair value of plan assets by each class as at the end of the reporting period are as follows:

		2021		2020
Cash and cash equivalents	P	151,621	P	157,000
Debt instruments		180,613		144,448
Mutual funds		-		1,662
Loans		31,485		-
Real estate		-		28,360
Others		8,448		7,769

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 actuarial assumptions used in determining pension for the retirement plan are shown below:

		2021		2020
Discount rate		5.18%		3.71%
Salary increase rate		5.00%		3.00%
Average remaining working lives		33.6 years		29.8 years

The weighted average duration of the defined benefit obligation at the end of the reporting period is 16 years.

Shown below is the 10 year projection of expected future benefit payments of the Company:

		2021		2020
Less than 1 year	P	10,108	P	55,795
More than 1 year to 5 years		62,268		262,896
More than 5 years to 10 years		98,900		396,712

10. Accrued Expenses and Other Payables

This account consists of:

		2021		2020
Accrued expenses	P	95,889	P	215,256
Accounts payable		-		49,966
Others		128,979		48,871
	P	224,868	P	314,093

Accrued expenses consist of unpaid employee benefits and professional fees while others represent other regulatory contributions and output VAT payable.

11. Equity

Capital Stock

As at December 31, 2021 and 2020, the Company's capital stock consists of:

	2021		2020	
	Shares	Amount	Shares	Amount
Common stock - P5 par value, 400,000 authorized stocks				
Issued and fully paid	400,000	P 2,000,000	400,000	P 2,000,000

Capital Management

The Company's objectives when managing capital are (a) to safeguard the Company's ability to continue as a going concern; (b) to support the Company's stability and growth by maintaining strong credit ratings and healthy capital ratios; and (c) to provide capital for the purpose of strengthening the Company's risk management capability to support and sustain its business growth towards maximizing the shareholder's value.

Minimum Capital Requirement

The Company considers its equity as its capital and is not subject to any externally imposed regulatory capital requirements.

12. Miscellaneous Expense

This account consists of:

		2021		2020
Communication, light and water	P	130,528	P	73,196
Management and consultancy fee		94,400		72,372
Honorarium		59,500		38,373
Repairs and maintenance		35,781		39,324
Research and documentation		26,723		18,758
Supervision and examination		15,840		3,312
Information technology		16,602		17,000
Advertising and publicity		3,258		9,772
Representation expense		-		11,916
Others		66,175		56,933
	P	448,807	P	340,956

Others include burial assistance, expense incurred for students assistants, membership dues and COVID-19 related expenses such as rapid testing and flu vaccination.

13. Income Taxes

a. Applicable rates

2021

The Company is subject to Regular Corporate Income Tax (RCIT) rate of 20% and MCIT of 1%.

2020

For financial reporting purposes, the Company accounted for Income Tax using the RCIT and MCIT rates of 30% and 2%, respectively, as in accordance with the financial reporting guidelines.

For tax reporting purposes, the Company used the RCIT and MCIT rates of 20% and 1% respectively, in accordance with the CREATE Law IRR. Relevant changes under the CREATE Law are explained below.

b. Optional standard deduction

Effective July 2008, Republic Act 9504 was approved giving corporate taxpayers an option to claim itemized deduction or optional standard deduction (OSD) equivalent to 40% of gross income. Once the option to use OSD is made, it shall be irrevocable for the taxable year for which the option was made. In 2021 and 2020, the Company opted to continue claiming itemized deduction.

c. Tax computation

Regular Corporate Income Tax (RCIT)	2021		2020	
Revenue	P	6,547,427	P	3,621,903
Less: Cost of services		(2,281,663)		(1,356,604)
Gross income from operation		4,265,764		2,265,299
Add: Other income		-		1
Total gross income		4,265,764		2,265,300
Less: Itemized deduction		(2,819,522)		(2,963,305)
Taxable income (loss)	P	1,446,242	P	(698,005)
Less: Net Operating Loss Carry Over (NOLCO)		(525,140)		-
Taxable income (loss)		921,102		(698,005)
Income tax expense (current) - at 20% and 30%, respectively	P	184,220	P	-
MCIT- at 1% and 2%, respectively	P	42,658	P	45,306
Income tax expense (current)	P	184,220	P	45,306
Income taxes paid and tax credits				
Prior year's excess tax credit		(36,022)		-
Income tax payment from 1st to 3rd qtr		(297)		-
Excess MCIT applied this current year		(33,980)		-
Creditable taxes withheld 1st to 3rd qtr		(52,743)		(49,162)
Creditable taxes withheld 4th qtr		(61,178)		(20,840)
Income tax payable (overpayment)	P	-	P	(24,696)

d. Reconciliation

Reconciliation between accounting income and taxable income is presented below:

Regular Corporate Income Tax (RCIT)	2021		2020	
Accounting income (loss)	P	2,122,439	P	(866,656)
Permanent differences:				
Interest income subject to final tax		(17,470)		(28,823)
Actuarial gain on retirement plan		(740,668)		-
Net Operating Loss Carry Over (NOLCO)		(525,140)		-
Temporary differences:				
Accumulated vacation leave		61,674		93,072
Actuarial loss on retirement plan		-		28,475
Retirement expense, net of contributions		20,267		75,927
Taxable income (loss)	P	921,102	P	(698,005)

e. Provision for income tax consists of:

	2021		2020
Provision for current income tax	P 184,220	P	45,306
Income tax adjustment (effect of CREATE Law in 2020)	(11,326)		-
Application of excess MCIT	(33,980)		-
Provision for final tax	3,494		5,765
	P 142,408	P	51,071

f. Available Net Operating Loss Carry Over (NOLCO)

Details of NOLCO is as follows:

Year	Amount	Applied	Expired	Balance	Expiry Year
2020	P 698,004	P 525,140	P -	P 172,864	P 2025

For NOLCO incurred for taxable year 2020, the Company is allowed to carry over the NOLCO for the next five (5) consecutive taxable years immediately following the year of such loss.

e. Unexpired Excess Minimum Corporate Income Tax (MCIT)

Details of unexpired excess MCIT is as follows:

Year	Amount	Applied	Expired	Balance	Expiry Year
2020	P 33,980	P 33,980	P -	P -	P 2023

14. Related Party Transactions

In the ordinary course of business, the Company transacts with related parties. Related parties include directors, members, officers, employees and entities where directors, members and officers hold key management positions. Transactions with such parties are made in the ordinary course of business and on substantially same terms, including interest, as those prevailing at the time for comparable transactions with other parties. These transactions are made substantially on the same terms as other individuals and business of comparable risks and are generally settled in cash.

Transactions with retirement plans

Under PFRS for SEs, certain post-employment benefit plans are considered as related parties.

CARD-MRI's MERP is a stand-alone entity assigned in facilitating the contributions to retirement starting 2005.

Other related party transactions

Transactions between the Company and its affiliates within the CARD-MRI, qualified as related party transactions. Related party transactions and balances as at and for the years ended December 31, 2021 and 2020 are as follows:

				December 31, 2021	
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Condition		
Affiliates					
Cash		P 2,793,343	This pertains to savings account with annual interest rate of 1.0%.		
Placements	P 9,902,991				
Withdrawals	8,960,996				
Due from affiliates		500	The amount represents the uncollected billing from services rendered		
Service revenue	6,547,428		These pertains to revenue recognized from various tour packages.		
Interest income	13,920		Income earned from deposits to CARD MRI entities.		

				December 31, 2020	
Category	Amount/ Volume	Outstanding Balance	Nature, Terms and Condition		
Affiliates					
Cash		P 1,851,348	This pertains to savings account with annual interest rate of 1.0%.		
Placements	P 4,946,876				
Withdrawals	5,409,869				
Due from affiliates		81,577	The amount represents the uncollected billing from services rendered		
Due to affiliates		2,024	Unpaid billed expenses incurred in rendering services to customers		
Service revenue	3,621,903		These pertains to revenue recognized from various tour packages.		
Interest income	28,675		Income earned from deposits to CARD MRI entities.		

15. Subsequent Events

a. CREATE Act

On March 26, 2021, the Republic Act (RA) 11534, known as “The Corporate Recovery or Tax incentives for Enterprises Act” (Create Act), was passed into law. The salient provisions of the Create Act applicable to the Company are as follow:

- Effective July 1, 2020, the corporate income tax rate is reduced from 30% to 20% for domestic corporations with net taxable income not exceeding P5,000,000 and with total assets not exceeding P100,000,000, excluding land on which the particular business entity’s office, plant, and equipment are situated during the taxable year for which the tax is imposed at 20%. All other domestic corporations and resident foreign corporations will be subject to 25% income tax;

- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% effective July 1, 2020, to June 20, 2023;
- The imposition of improperly accumulated earnings is repealed.

The effect of the changes mentioned above are shown below:

	As of December 31, 2020	Effect of changes in tax rates	Adjusted amount based on the reduced tax rates
Statement of Income			
Current tax expense	P 45,306	P (11,326)	P 33,980
Net loss for the year	(917,727)	11,326	(906,401)
Statement of Financial Position			
Prepaid tax	24,696	11,326	36,022
Statement of Changes in Equity			
Deficit	(785,689)	11,326	(774,363)

b. COVID-19 Impacts

Since December 31, 2019 to December 31, 2021, the spread of COVID-19 has severely impacted many economies around the globe. In many countries, businesses were forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. In the Philippines, varying quarantine measures were implemented beginning on March 17, 2020.

The Company's management has assessed and addressed the impacts of COVID-19. As of December 31, 2021 and 2020, all COVID-19 determinable impacts on the Company's 2021 and 2020 financial statements, as well as other subsequent events, that are adjusting events have been adjusted. Other determinable subsequent events that were not adjusting events have been disclosed as needed.

Uncertainties due to COVID-19 still exist as the pandemic continues. It has or may have impacts that are not determinable at this time, hence, are not reflected in the financial statements. Even so, management confirms the validity of the going concern assumption for the Company.

16. Prior Period Adjustment and Restatement of Accounts

In 2020, errors were discovered in the prior period financial statements. These errors were corrected by adjusting the beginning balance of retained earnings. The errors are as follows:

Nature	Account/s Affected	Amount
Overstatement of recognized accrued expenses in 2019	Accrued expenses	P (15,395)
	Professional fees	(15,395)

17. Approval of the Issuance of the Financial Statements

The accompanying financial statements were authorized for issue by the Board of Directors of the Company on March 26, 2022.

18. Supplementary Information Required by the Bureau of Internal Revenue**Revenue Regulations (RR) No. 15-2010**

On November 25, 2010, the Bureau of Internal Revenue (BIR) issued Revenue Regulations (RR) No. 15-2010 which prescribes additional procedural and/or documentary requirements in connection with the preparation and submission of financial statements accompanying the tax returns. Under the said RR, companies are required to disclose, in addition to the disclosures mandated under PFRS for SEs and such other standards and/or conventions, taxes, duties, and license fees paid or accrued during the taxable year. Following is the required information under RR No. 15-2010 for the year ended December 31, 2021:

a. Value-Added Tax

Output VAT **P 785,691**

The Company has VATable sales for the year ended December 31, 2021 that amounted to P6,547,428.

Input VAT **P -**

The work forward analysis of Company's input VAT for its VATable purchases is as follows:

Balance at the beginning of the year	P -
Add: Purchases or payments for:	
Capital Goods not exceeding 1 million	P 83,929 10,071
Goods (domestic)	467,979 56,157
Services (domestic)	846,847 101,622
Less:	
Applied against output VAT during the year	(167,850)
Balance at the end of the year	P -

b. Withholding Taxes

	2021
Expanded withholding taxes	P 66,921
Tax on compensation and benefits	9,604
	P 76,525

c. Other Taxes Paid

The following are the other taxes paid by the Company during the year recognized under Taxes and licenses account:

Business permit	P	25,312
BIR Annual registration fee		500
Other fees		16,259
	P	42,071

d. Tax Assessments and Cases

The Company has no deficiency tax assessments and has not been involved in any tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the Bureau of Internal Revenue.