Dasmariñas Village Association, Inc.
(A Nonstock, Not-for-profit Organization)

Financial Statements
December 31, 2013 and 2012

and

Independent Auditors' Report

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

INDEPENDENT AUDITORS' REPORT

The Board of Governors
Dasmariñas Village Association, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Dasmariñas Village Association, Inc. (A Nonstock, Not-for-profit Organization), which comprise the statements of assets, liabilities and fund balance as at December 31, 2013 and 2012, and the statements of revenue, members' support and expenses, statements of comprehensive income, statements of changes in fund balance and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Dasmariñas Village Association, Inc. as of December 31, 2013 and 2012, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards for Small and Medium-sized Entities.

Report on the Supplementary Information Required Under Revenue Regulations (RR) 19-2011 and 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 19-2011 and 15-2010 in Notes 20 and 21, respectively, 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 Dasmariñas Village Association, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

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PTR No. 4225212, January 2, 2014, Makati City

February 3, 2014

DASMARIÑAS VILLAGE ASSOCIATION, INC.
(A Nonstock, Not-for-profit Organization)

STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE

	December 31	
	2013	2012
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	**₱145,357,601**	₱141,054,554
Accounts receivable (Note 6)	**517,885**	87,980
Prepayments	**218,746**	148,868
Total Current Assets	**146,094,232**	141,291,402
Noncurrent Assets		
Available-for-sale financial asset (Note 7)	**9,745,379**	–
Property and equipment (Note 8)	**54,730,452**	43,079,062
Refundable deposits	**382,999**	259,239
Total Noncurrent Assets	**64,858,830**	43,338,301
	₱210,953,062	₱184,629,703
LIABILITIES AND FUND BALANCE		
Current Liabilities		
Accounts payable and accrued expenses (Note 9)	**₱11,278,837**	₱10,939,708
Membership dues received in advance (Note 11)	**4,612,757**	5,359,610
Construction bond (Note 12)	**103,378,689**	82,460,864
Total Current Liabilities	**119,270,283**	98,760,182
Noncurrent Liability		
Pension liability (Note 10)	**687,560**	1,787,892
Total Liabilities	**119,957,843**	100,548,074
Fund Balance	**90,995,219**	84,081,629
	₱210,953,062	₱184,629,703

See accompanying Notes to Financial Statements.

DASMARIÑAS VILLAGE ASSOCIATION, INC.
(A Nonstock, Not-for-profit Organization)

STATEMENTS OF REVENUE, MEMBERS' SUPPORT AND EXPENSES

	Years Ended December 31	
	2013	2012
REVENUE		
Stickers, permits and other fees (Note 13)	**₱41,004,625**	₱26,696,804
Interest income (Notes 5, 6 and 7)	**2,379,133**	4,693,085
Gain on sale of available-for-sale financial asset (Note 7)	**–**	283,496
	43,383,758	31,673,385
COSTS AND EXPENSES		
Direct Costs		
Security services	**24,751,535**	21,119,962
Street repairs	**11,711,929**	381,610
Garbage services	**9,903,736**	10,646,020
Street lights	**3,652,259**	4,057,766
Depreciation and amortization (Note 9)	**806,913**	1,220,438
	50,826,372	37,425,796
General and Administrative Expenses		
Personnel costs (Notes 10 and 14)	**12,821,141**	10,899,036
Depreciation and amortization (Note 8)	**9,021,092**	6,771,720
Repairs, sanitation and maintenance	**5,199,257**	3,949,339
Communication and utilities	**3,341,974**	3,489,372
Stationery and supplies	**3,213,729**	1,776,312
Professional fees and legal expenses	**1,036,986**	2,554,301
Taxes and licenses	**888,350**	2,395,404
Community affairs	**816,406**	999,064
Insurance	**343,414**	251,084
Loss on disposal of property and equipment	**127,933**	2,639,983
Miscellaneous	**1,134,600**	1,614,343
	37,944,882	37,339,958
DEFICIENCY OF REVENUE OVER COSTS AND EXPENSES BEFORE MEMBERS' SUPPORT	**(45,387,496)**	(43,092,369)
MEMBERS' SUPPORT		
Membership dues (Note 16)	**52,555,070**	53,494,961
EXCESS OF REVENUE AND MEMBERS' SUPPORT OVER COSTS AND EXPENSES	**₱7,167,574**	₱10,402,592

See accompanying Notes to Financial Statements.

DASMARIÑAS VILLAGE ASSOCIATION, INC.
(A Nonstock, Not-for-profit Organization)

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2013	2012
Excess of revenue and members' support over expenses	**₱7,167,574**	₱10,402,592
Unrealized loss on available-for-sale financial asset (Note 7)	**(253,984)**	–
TOTAL COMPREHENSIVE INCOME	**₱6,913,590**	₱10,402,592

See accompanying Notes to Financial Statements.

DASMARIÑAS VILLAGE ASSOCIATION, INC.
(A Nonstock, Not-for-profit Organization)

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue and members' support over costs and expenses	**₱7,167,574**	₱10,402,592
Adjustments for:		
Depreciation and amortization (Note 8)	**9,828,005**	7,992,158
Pension expense (Note 10)	**687,560**	996,616
Loss on disposal of property and equipment	**127,933**	2,639,983
Gain on sale of available-for-sale financial asset (Note 7)	**–**	(283,496)
Reversal of accounts payable-inspection fee	**(781,475)**	–
Interest income (Notes 5, 6 and 7)	**(2,379,133)**	(4,693,085)
Reversal of construction bond (Note 12)	**(4,370,500)**	–
Operating income before working capital changes	**10,279,964**	17,054,768
Increase in:		
Prepayments	**(69,878)**	(53,209)
Accounts receivable	**(410,946)**	(6,314)
Increase (decrease) in:		
Accounts payable and accrued expenses	**1,120,604**	244,965
Membership dues received in advance	**(746,853)**	(1,201,186)
Net cash generated from operations	**10,172,891**	16,039,024
Contributions paid (Note 10)	**(1,787,892)**	(3,000,000)
Interest received	**2,360,174**	5,230,605
Net cash flows provided by operating activities	**10,745,173**	18,269,629
CASH FLOWS FROM INVESTING ACTIVITIES		
Deposits received as construction bond (Note 12)	**57,989,750**	54,489,330
Increase in refundable deposits	**(123,760)**	(6,000)
Acquisitions of property and equipment items (Note 8)	**(21,607,328)**	(23,314,402)
Refund of construction bond (Note 12)	**(32,701,425)**	(57,105,625)
Proceeds from maturities (acquisitions) of investments:		
Investment in short-term investments	**–**	2,200,000
Investment in available-for-sale financial asset (Note 7)	**(9,999,363)**	33,268,033
Net cash flows provided by (used in) investing activities	**(6,442,126)**	9,531,336
NET INCREASE IN CASH AND CASH EQUIVALENTS	**4,303,047**	27,800,965
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**141,054,554**	113,253,589
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**₱145,357,601**	₱141,054,554

See accompanying Notes to Financial Statements.

DASMARIÑAS VILLAGE ASSOCIATION, INC.
(A Nonstock, Not-for-profit Organization)

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Dasmariñas Village Association, Inc, (the Association) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on January 1, 1965 as a non-stock, not-for-profit organization organized to promote, advance and safeguard the interest, general welfare and well-being of the owners, lessees and occupants of the properties in Dasmariñas Village, Makati City.

All real estate owners and holders of long-term leases of lots in Dasmariñas Village Subdivision (the Subdivision), as defined in the Association's by laws, shall become members of the Association.

No part of the income of the Association inures to the benefit of any officer, member or private individual. As such, the Association is exempt from the payment of income tax on income related to its operations and activities as provided for under Section 30 (C) of the National Internal Revenue Code of 1997. However, on January 29, 2013, the Bureau of Internal Revenue issued Revenue Memorandum Circular (RMC) No. 9-2013 which clarifies the taxability and vatability of association dues, membership fees and other assessments/charges collected by homeowners' associations from its members and tenants.

RMC No. 9-2013 states that Section 18 of Republic Act No. 9904 which exempts from taxation the association dues and income derived from rental are subject to certain conditions is an implied recognition by the Congress that such receipts are subject to tax under existing laws. For tax purposes, the association dues, membership fees and other assessments/charges collected by a homeowners' association constitute income payments or compensation for beneficial services it provide to its member and tenants are subject to income tax and value-added tax (VAT) subject to certain exceptions.

The Association's registered address and principal place of business is 1417 Campanilla Street, Dasmariñas Village, Makati City.

2. Basis of Preparation

The accompanying financial statements of the Association have been prepared using the historical cost basis and are presented in Philippine Peso (₱), which is also the Association's functional currency. All amounts are rounded to the nearest peso unless otherwise indicated.

Statement of Compliance

The accompanying financial statements of the Association have been prepared in compliance with Philippine Financial Reporting Standards for Small and Medium-sized Entities (PFRS for SMEs).

3. Summary of Significant Accounting Policies

Revenue Recognition
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Association and the revenue can be reliably measured. The Association assesses its revenue arrangements against specific criteria in order to determine that it is acting as a principal in all its revenue agreements. The following specific recognition criteria must also be met before revenue is recognized.

Stickers, permits and other fees
Stickers and permits are recognized upon issuance while other fees are recognized when the earning process is complete.

Interest income
Interest income on cash and cash equivalents is recognized as it accrues.

Cash and Cash Equivalents
Cash includes cash on hand and in banks. 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 and are subject to an insignificant risk of change in value.

Financial Instruments
As appropriate, the Association classifies its financial instruments in the following categories: (1) Basic financial instruments and (2) Other financial instruments. The following are basic financial instruments:

- Cash;
- A debt instrument that satisfies specific criteria;

Basic financial instruments are measured at their transaction price including transaction costs. If the contract constitutes a financing agreement, it is measured at the present value of future payments discounted at a market rate of interest for a similar instrument (this is not applicable to assets and liabilities classified as current, unless they incorporate a finance agreement).

If interest is not at a market rate, the fair value would be future payments discounted at a market rate of interest. Other financial instruments are initially measured at fair value, which is usually their transaction price. This will exclude transaction costs.

The basic financial instruments of the Association consist of cash and cash equivalents, accounts receivable and investment in debt securities. The Association's debt instruments are measured at fair value.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount, after deducting from the instrument as a whole, the amount separately determined as the fair value of the liability component on the date of issue.

AFS Financial Assets
AFS financial assets are non-derivative financial assets that are designated as such or do not qualify to be classified or designated as financial assets at FVPL, HTM investments or loans and receivables. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS financial assets are measured at fair value. The unrealized gains and losses arising from the fair valuation of AFS financial assets are excluded from reported earnings and are reported in other comprehensive income (OCI).

When the investment is disposed of, the cumulative gain or loss previously recognized in OCI is recognized as miscellaneous income in statement of comprehensive income. Interest earned on holding AFS financial assets are reported as interest income using the effective interest rate. Dividends earned on holding AFS financial assets are recognized in statement of comprehensive income as part of miscellaneous income when the right to receive payment has been established. The losses arising from impairment of such investments are recognized as provisions for impairment losses in statement of comprehensive income.

When the fair value of AFS financial assets cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost, less any impairment losses.

Impairment of Financial Assets

The carrying value of all financial assets is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. The identification of impairment and the determination of recoverable amounts is a process involving various assumptions and factors, including the financial condition of the counterparty, expected future cash flows, observable market prices and expected net selling prices.

In order to determine whether negative revaluations on investment securities correctly represent impairment, all investment securities for which the market value has been significantly below cost for a considerable period of time, are individually reviewed. A distinction is made between negative revaluations due to general market fluctuations and due to issuer specific developments. The impairment review focuses on issuer specific developments regarding financial condition and future prospects, taking into account the intent and ability to hold the securities under the Association's long-term investment strategy.

Derecognition of Financial Assets and Liabilities

Financial asset

A financial asset (or, where applicable a part of financial asset or part of a group of similar financial asset) is derecognized when:

(a) the rights to receive cash flows from the asset have expired;
(b) the Association retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
(c) the Association has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liability

A financial liability is derecognized when the obligation under the liability are discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of revenue, members' support and expenses.

Receivables
Receivables are recognized and carried at billed amount less allowance for any uncollectible amounts. Specific valuation allowances are provided when collections become doubtful and amounts expected to be received in settlement of the receivable are less than the amounts due. At the end of each reporting period, the carrying amounts of receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognized immediately in profit or loss.

Property and Equipment
The Association measures all items of property and equipment after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses.

Factors such as change in how an asset is used, significant unexpected wear and tear, technological advancement and changes in market prices may indicate that the residual value of useful life of an asset has changed since the most recent annual reporting date. If such indicators are present and if current expectations differ, the residual value should be reviewed.

The initial cost of property and equipment consists of its purchase price, including taxes and any directly attributable costs of bringing the assets to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to income 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 of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.
Depreciation is computed using the straight-line basis over the estimated useful lives of the assets as follows:

	Years
Building and land improvements	3-20
Furniture, fixtures and equipment	3-10
Transportation equipment	3-5
Security and park equipment	2-10
Software and licenses	5

Where parts of an item of property and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both useful life of an asset and its residual value, if any, are reviewed annually.

The asset's residual value, estimated useful life and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

When property and equipment are retired or otherwise disposed of, the cost of the related accumulated depreciation, if any, are removed from the accounts and any resulting gain or loss is credited or charged against current operations.

Impairment of Nonfinancial Assets
This accounting policy applies to the Association's property and equipment. An assessment is made at each reporting date to determine whether there is any indication of impairment of any long-lived assets, or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

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

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

Retirement Benefits
The Association has a funded, noncontributory defined benefit retirement plan, administered by a trustee, covering their regular and permanent employees. Pension expense is actuarially determined using the projected unit credit method.

This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Pension expense includes current service cost plus amortization of past service cost, experience adjustments and changes in actuarial assumptions over the expected average remaining working lives of the covered employees.

Actuarial gains and losses are recognized in full in the statement of revenue, members' support and expenses.

Income Tax
Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting dates.

Deferred tax
Deferred tax is provided using the balance sheet method on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that the taxable profit will be available against which the deductible temporary differences can be utilized. The carrying amounts of the deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date, and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recognized.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to period when the asset is realized or the liability is settled based on tax rates and tax laws substantially enacted as of reporting date. Allowance valuation is provided, on the basis of past years and future expectations, when it is not probable that the taxable profits will be available against which the future income tax deductions can be utilized.

Deferred tax assets and deferred tax liabilities are offset, if legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

Members' Support
Membership dues computed on the basis of a fixed rate per square meter of lot occupied by the homeowner/member are recognized when due. Membership dues received in advance are shown as part of liabilities in the statement of assets, liabilities and fund balance. Donations are recognized upon receipt or accrued when there is reasonable assurance of receipt.

Fund Accounting
The accounts of the Association are maintained in accordance with the principle of fund accounting to ensure observance of limitations and restrictions placed on the use of resources available to the Association. This is the procedure by which resources for various purposes are classified for accounting and financial reporting purposes into funds that are in accordance with specified activities and objectives. Separate accounts are maintained for each fund, if any. Funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group, if applicable.

Provisions
Provisions are recognized when the Association has: (a) a present obligation (legal or constructive) as a result of a past event, (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and (c) a reliable estimate can be made of the amount of the obligation. Where the Association expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. Provisions are reviewed at each reporting financial year-end and adjusted to reflect current best estimates.

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

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

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the financial statements in compliance with PFRS for SMEs requires the Association to make estimates and assumptions 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, estimates and assumptions 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.

Estimates and Assumptions

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

Allowance for Impairment Losses

Allowances for doubtful accounts are estimated at a level considered adequate to provide for potential uncollectible receivables. The level of the allowance is evaluated by management based on factors that affect the collectability of the accounts. The Association reviews the age and status of receivables, and identifies accounts that are to be provided with allowances. The amount and timing of recorded expenses for any period would therefore differ depending on the judgments and estimates made for each period.

As of December 31, 2013 and 2012, the carrying amounts of accounts receivable amounted to ₱517,885 and ₱87,980, respectively, while allowance for impairment losses amounted to ₱278,354 in 2013 and 2012 (Note 6).

Impairment of Nonfinancial Assets

The Association assesses the impairment of assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Indicators of impairment include significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset and significant negative economic trends. If such indicators are present and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The recoverable amount is the higher of the asset's net selling price and value in use. Determining the value in use of an asset involves the determination of the present value of future cash flows expected to be generated from the continued use and ultimate disposition of the asset and requires the Association to make estimates and assumptions that can materially affect the financial statements.

As of December 31, 2013 and 2012, the carrying value of the Association's property and equipment amounted to ₱54,730,452 and ₱43,079,062, respectively (Note 8).

Estimating useful lives of property and equipment

The Association estimates the useful lives of its property and equipment based on the period over which the assets are expected to be available for use. The Association reviews annually the estimated useful lives of property and equipment based on factors that include asset utilization, internal technical evaluation, technological changes, environmental and anticipated use of the assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned.

A reduction in the estimated useful lives of property and equipment would increase the recorded depreciation and amortization expense and decrease noncurrent assets.

As of December 31, 2013 and 2012, the carrying value of the Association's property and equipment amounted to ₱54,730,452 and ₱43,079,062, respectively (Note 8). The related balances follow:

	2013	2012
Property and equipment - cost	**₱127,696,761**	₱108,772,997
Accumulated depreciation	**72,966,309**	65,693,935
Depreciation and amortization	**9,828,005**	7,992,158

Pension cost
The determination of the Association's obligation and cost for retirement benefits is dependent on selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, interest and salary increase rates. While the Association believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the pension expense and obligation.

The related balances follow (Note 10):

	2013	2012
Defined benefit obligation	**₱8,589,363**	₱7,836,012
Plan assets	**7,901,803**	6,048,120
Deficit	**687,560**	1,787,892

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

The deferred tax effects of the deductible temporary differences for which deferred tax assets were not recognized amounted to ₱41,517,990 and ₱37,747,903 as of December 31, 2013 and 2012, respectively (Note 15). Accordingly a full valuation allowance was recognized on these deferred tax assets.

5. Cash and Cash Equivalents

This account consists of:

	2013	2012
Petty cash and postage funds	**₱90,000**	₱90,000
Current and savings accounts with banks	**14,224,566**	15,528,527
Short-term deposits	**131,043,035**	125,436,027
	₱145,357,601	₱141,054,554

Current and savings accounts with banks earn interest at the respective bank deposit rates. Short-term deposits are made for varying periods of up to three (3) months and earn annual interest ranging from 0.80% to 1.30% in 2013 and 2.93% to 3.65% in 2012. Interest income earned on cash in banks amounted to ₱109,041 and ₱78,378 in 2013 and 2012, respectively. Interest income earned on short-term deposits amounted to ₱2,139,599 and ₱3,067,073 in 2013 and 2012, respectively.

6. Accounts Receivable

This account consists of:

	2013	2012
Advances to officers and employees	₱214,250	₱37,542
Accrued interest	147,829	128,870
Unpaid membership dues	98,558	182,584
Others	335,602	17,338
	796,239	366,334
Less allowance for impairment losses	278,354	278,354
	₱517,885	₱87,980

Advances to officers and employees are noninterest-bearing loans given to officers and employees which are collectible in equal monthly installments.

Accrued interest pertains to interest on cash equivalents and available-for-sale security.

Unpaid membership dues constitute a lien on the property of the members.

Details of unpaid membership dues follow:

	2013	2012
Unpaid membership dues:		
2013	₱73,722	₱–
2012	24,836	100,600
2005 up to 2011	–	81,984
	₱98,558	₱182,584

Others consist mainly of receivable from sponsorships and rental of the Association's facilities.

The 2013 and 2012 aging analysis of gross receivables is as follows:

	2013	2012
Neither past due nor impaired	₱771,403	₱284,350
Past due but not impaired		
More than 6 months but not more than 1 year	24,836	–
Past due and impaired	–	81,984
	₱796,239	₱366,334

The Association has no additional provision for impairment losses for the years ended December 31, 2013 and 2012.

7. Available-for-Sale Financial Asset

As of December 31, 2013, the Association purchased a fixed rate treasury notes amounting ₱9,999,363 which carries annual coupons at the rate of 1.63% with a maturity of 3 years and pays interest semiannually.

Interest income on investment in available-for-sale financial asset amounted to ₱130,493 and ₱1,512,877 in 2013 and 2012, respectively.

The Association's investment in debt security is classified as available-for-sale financial asset measured at fair value. The mark to market movement in the fair value is recognized in OCI and this amounted to ₱253,984 for the year ended December 31, 2013.

8. Property and Equipment

The rollforward analysis of this account follows:

2013

	Building and Land Improvements	Furniture, Fixtures and Equipment	Transportation Equipment	Security and Park Equipment	Software and Licenses	Construction In Progress	Total
Cost							
At January 1	₱60,544,821	₱22,970,790	₱10,187,885	₱12,415,733	₱876,697	₱1,777,071	₱108,772,997
Additions	4,508,211	7,783,435	1,574,206	7,436,876	54,600	250,000	21,607,328
Disposals	(465,176)	(1,830,786)	–	(387,602)	–	–	(2,683,564)
Transfers	1,777,071	–	–	–	–	(1,777,071)	–
At December 31	66,364,927	28,923,439	11,762,091	19,465,007	931,297	250,000	127,696,761
Accumulated Depreciation and Amortization							
At January 1	36,836,674	14,383,559	8,082,787	6,087,338	303,577	–	65,693,935
Depreciation and amortization	3,949,196	3,470,647	806,913	1,419,050	182,199	–	9,828,005
Disposals	(465,176)	(1,702,853)	–	(387,602)	–	–	(2,555,631)
At December 31	40,320,693	16,151,353	8,889,700	7,118,786	485,776	–	72,966,309
Net Book Value	₱26,044,234	₱12,772,086	₱2,872,391	₱12,346,221	₱445,521	₱250,000	₱54,730,452

2012

	Building and Land Improvements	Furniture, Fixtures and Equipment	Transportation Equipment	Security and Park Equipment	Software and Licenses	Construction In Progress	Total
Cost							
At January 1	₱57,213,468	₱18,839,818	₱9,512,270	₱6,577,898	₱756,439	₱–	₱92,899,893
Additions	9,847,971	4,459,372	1,271,895	5,837,835	120,258	1,777,071	23,314,402
Disposals	(6,516,618)	(328,400)	(596,280)	–	–	–	(7,441,298)
At December 31	60,544,821	22,970,790	10,187,885	12,415,733	876,697	1,777,071	108,772,997
Accumulated Depreciation and Amortization							
At January 1	37,509,759	11,866,338	7,458,629	5,520,747	147,619	–	62,503,092
Depreciation and amortization	3,203,550	2,845,621	1,220,438	566,591	155,958	–	7,992,158
Disposals	(3,876,635)	(328,400)	(596,280)	–	–	–	(4,801,315)
At December 31	36,836,674	14,383,559	8,082,787	6,087,338	303,577	–	65,693,935
Net Book Value	₱23,708,147	₱8,587,231	₱2,105,098	₱6,328,395	₱573,120	₱1,777,071	₱43,079,062

The developer of the subdivision has donated street lots, which have an assessed value of ₱1.00 per square meter at the time of donation. Under the terms of the donation, the donated property shall be used and maintained as private roads or streets for the use of the members of the Association, their families, personnel and domestic help and, under reasonable conditions and restrictions, by the general public. In the event that the properties are no longer used as such, the same shall automatically revert to the donor.

The Association leases in perpetuity (co-terminus with the corporate life of the Association) from Makati Development Corporation six parcels of land within the subdivision at a nominal rent of ₱1.00 a year. Under the terms of the lease, the property shall be used exclusively as park and playground for the recreation, athletic and social activities of the members of the Association and the residents of the area; provided, however, that the Association, subject to the prior consent of the lessor, may reserve and dedicate a portion of the leased premises for the construction of the Community Center Building.

All taxes assessments arising out of or imposed because of the ownership or possession of the leased premises shall be borne by the Association.

Depreciation and amortization charged to costs and expenses follows:

	2013	2012
General and administrative expenses	**₱9,021,092**	₱6,771,720
Direct costs	**806,913**	1,220,438
	₱9,828,005	₱7,992,158

Fully depreciated assets, amounting ₱51,295,262 and ₱38,001,721 as of December 31, 2013 and 2012, respectively, are still in active use.

No property and equipment were pledged as security to Association's obligation in 2013 and 2012, respectively.

9. Accounts Payable and Accrued Expenses

This account consists of:

	2013	2012
Accounts payable	**₱6,659,983**	₱5,479,374
Accrued expenses	**3,510,276**	4,168,994
Christmas fund	**350,749**	532,387
Employees' educational and loan fund	**145,979**	197,033
Other payables	**611,850**	561,920
	₱11,278,837	₱10,939,708

Accounts payable represent amounts owed to suppliers and vendors which are noninterest-bearing.

Accrued expenses consist mainly of accruals for payments for security services.

Other payables consist mainly of withholding taxes payable, deposits from players for the Association's tournaments and from canteen concessionaires.

10. **Retirement Plan**

The Association has a funded, noncontributory defined benefit retirement plan administered by a trustee covering substantially all of its employees. The benefits are based on years of service and compensation on the last year of employment. The latest actuarial valuation study of the retirement plan as of December 31, 2012 was issued last October 1, 2012.

The following tables summarize the components of net pension expense, the net pension liability, the changes in the present value of pension obligation, the changes in fair value of plan assets, the composition of plan assets and the principal assumptions used in the actuarial valuation at December 31, 2013 and 2012.

Net pension expense included in personnel costs under general and administrative expenses account in the statement of revenue, members' support and expenses follows:

	2013	2012
Current service cost	**₱298,862**	₱278,011
Interest cost	**454,489**	413,067
Actuarial loss recognized	**236,615**	472,067
Expected return on plan assets	**(302,406)**	(166,529)
Pension expense	**₱687,560**	₱996,616

The funded status and amounts recognized in the statement of assets, liabilities and fund balance for the retirement plan as of December 31, 2013 and 2012 follow:

	2013	2012
Benefit obligation	**₱8,589,363**	₱7,836,012
Plan assets	**(7,901,803)**	(6,048,120)
Pension liability	**₱687,560**	₱1,787,892

Changes in the present value of the defined benefit obligation follow:

	2013	2012
Present value of the benefit obligation, beginning	**₱7,836,012**	₱7,121,852
Interest cost	**454,489**	413,067
Current service cost	**298,862**	278,011
Actuarial loss on obligation	**–**	544,130
Benefits paid	**–**	(521,048)
Present value of the benefit obligation, ending	**₱8,589,363**	₱7,836,012

Changes in fair value of plan assets follow:

	2013	2012
Fair value of plan assets, beginning	**₱6,048,120**	₱3,330,576
Contributions paid	**1,787,892**	3,000,000
Expected return on plan assets	**302,406**	166,529
Actuarial gain (loss) on plan assets	**(236,615)**	72,063
Benefits paid	**–**	(521,048)
Fair value of plan assets, ending	**₱7,901,803**	₱6,048,120

The plan assets are maintained with a trustee bank.

The distribution of plan assets as of December 31, 2013 and 2012 follows:

	2013	2012
Cash and cash equivalents	**₱6,855,117**	₱4,932,315
Investment in debt securities	**635,069**	460,500
Investment in equity securities	**426,250**	628,186
Receivables	**18,971**	27,137
	7,935,407	6,048,138
Less accrued trust fees and other payables	**(33,604)**	(18)
	₱7,901,803	₱6,048,120

The actual return on plan assets amounted to ₱100,042 and ₱238,592 in 2013 and 2012, respectively.

Movement in the net pension liabilities during the year follows:

	2012	2011
At beginning of year	**₱1,787,892**	₱3,791,276
Pension expense	**687,560**	996,616
Contributions	**(1,787,892)**	(3,000,000)
At end of year	**₱687,560**	₱1,787,892

The principal assumptions used in determining pension benefits are as follows:

	2013	2012	2011	2010	2009
Discount rate	**5.80%**	5.80%	5.36%	4.50%	9.50%
Salary increase rate	**5.00%**	5.00%	5.00%	5.00%	6.00%
Expected rate of return on plan assets	**7.50%**	7.50%	6.00%	6.00%	5.00%

Amounts for the current and previous periods follow:

	2013	2012	2011	2010
Defined benefit obligation	**₱8,589,363**	₱7,836,012	₱7,121,852	₱8,340,953
Plan assets	**7,901,803**	6,048,120	3,330,576	2,788,397
Deficit	**(687,560)**	(1,787,892)	(3,791,276)	(5,552,556)

11. Membership Dues Received in Advance

This account pertains to advance collection of membership dues from property owners or leases which are recognized as support in the proper period.

12. Construction Bond

This account pertains to cash deposits from members or their contractors, as required by the Association before any house construction or major renovation work is undertaken within the village. The deposit is non-interest bearing and refundable upon completion of the construction or renovation work and upon presentation of receipts and determination of the depositor's liability for any violation of the Association's regulations relating to said construction or renovation.

The movement in this account follows:

	2013	2012
Balance at January 1	**₱82,460,864**	₱85,077,159
Deposits	**57,989,750**	54,489,330
Refunds and reversal	**(37,071,925)**	(57,105,625)
Balance at December 31	**₱103,378,689**	₱82,460,864

The amount ₱37,071,925 of refunds and reversal includes reversal of construction bond amounting ₱4,370,500 in 2013.

13. Stickers, Permits and Other Fees

Car stickers and entry permits are issued to homeowners, residents and others on a yearly basis.

14. Personnel Costs

	2013	2012
Salaries and wages	**₱8,932,320**	₱7,100,311
Pension expense (Note 10)	**687,560**	996,616
Other employee benefits	**3,201,261**	2,802,109
Balance at December 31	**₱12,821,141**	₱10,899,036

15. Income Tax

There is no provision for income tax in 2013 and 2012 as the Association is in a tax loss position.

As of December 31, 2011, net operating loss carryover (NOLCO) that can be claimed as deduction from future taxable income and used is shown below:

Inception Year	Amount	Applications/ Expirations	Balance	Expiry Year
2010	₱35,708,109	₱35,708,109	₱–	2013
2011	47,538,966	–	47,538,966	2014
2012	42,579,268	–	42,579,268	2015
2013	48,275,067	–	48,275,067	2016
	₱174,101,410	₱35,708,109	₱138,393,301	

The recognized deferred tax assets on NOLCO as of December 31, 2013 and 2012 amounted to ₱41,517,990 and ₱37,747,903, respectively; however, the Association deemed that there is no enough taxable income in the future from which NOLCO may be applied. Accordingly, a full valuation allowance was recognized on the NOLCO.

16. Membership Dues

Membership dues are collected from members to cover the revenue deficiency and for special projects.

17. 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. Parties are also considered to be related party if they are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/ or their close family members) or other entities and include entities which are under the significant influence of related parties of the

Association where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Association or of any entity that is a related party of the Association.

Related parties may be individuals or corporate entities (referred to as affiliates). Affiliates are related entities of the companies by virtue of common ownership and representation to management where significant influence is apparent. In the regular course of business, the Association's significant transactions with related parties include the following:

a. Advances to an officer with outstanding balance of ₱214,250 and ₱37,542 in 2013 and 2012, respectively.

b. Short-term compensation and benefits of key management personnel amounted to ₱908,918 and ₱1,012,996 in 2013 and 2012, respectively. There is no long-term, share-based or other compensation arrangement with key management personnel.

Terms and conditions of transactions with related parties
Outstanding balances at year-end are unsecured non-interest bearing and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

18. Lawsuit and Claims

The Association has pending legal cases which, in the opinion of management and its legal counsel, will not have a material effect on the Association's financial position and results of operations. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the grounds that it can be expected to prejudice seriously the Association's position with regards to the outcome of these claims.

19. Approval of Financial Statements

The accompanying financial statements were authorized for issue by the Board of Governors on February 3, 2014.

20. Supplementary Tax Information under Revenue Regulations (RR) 19-2011

<u>Sales/Receipts/Fees</u>
The Association's income from stickers, permits and other fees amounted to ₱41,004,625 in 2013.

Cost of Sales/Services
Details of the Association's cost of services in 2013 follow:

Security services	₱24,751,535
Street repairs	11,711,929
Garbage services	9,903,736
Street lights	3,652,259
Depreciation and amortization	806,914
	₱50,826,373

Non-operating and Taxable Other Income
The Association has no non-operating and taxable other income for 2013.

Itemized Deduction
Details of the Association's itemized deductions in 2013 follow:

Personnel costs	₱13,457,509
Depreciation and amortization	9,021,092
Repairs, sanitation and maintenance	5,199,256
Communication and utilities	3,341,974
Stationery and supplies	3,213,731
Professional fees and legal expenses	1,036,986
Taxes and licenses	888,350
Community affairs	816,406
Insurance	343,414
Miscellaneous	1,134,601
	₱38,453,319

21. Supplementary Tax Information under Revenue Regulations (RR) 15-2010

As of and for the year ended, the Association reported and paid the following taxes for the year ended December 31, 2013:

Value Added Tax (VAT)
The Association has none to report.

Information on the Association's Importationss
The Association does not undertake importation activities.

Other Taxes and Licenses

This includes all other taxes, local and national, including real estate taxes, licenses and permit fees included as "Taxes and licenses" under "General and Administrative Expenses" account in the statement of revenue, members' support and expenses. Details of other taxes and licenses in 2012 follow:

Real estate taxes	₱805,605
Licenses and permits fees	60,051
Penalties	22,194
Community taxes	500
	₱888,350

The Company has no excise taxes paid on locally produced excisable items and imported excisable items, documentary stamp taxes and real estate taxes.

Withholding Taxes

Details of taxes withheld in 2013 follow:

Expanded withholding taxes	₱886,142
Withholding taxes on compensation and benefits	775,328
Final withholding taxes	630,082
	₱2,291,552

Tax Assessments and Cases

The Association has no deficiency tax assessments or any tax cases under preliminary investigation, litigation, and/or prosecution in courts or bodies outside the Bureau of Internal Revenue as of December 31, 2013.