

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

Financial Statements
December 31, 2018 and 2017

and

Independent Auditor's Report



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INDEPENDENT AUDITOR'S REPORT

The Board of Governors
Dasmariñas Village Association, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Dasmariñas Village Association, Inc. (the Association), a non-stock, non-profit association, which comprise the statements of assets, liabilities and fund balance as at December 31, 2018 and 2017, and the statements of comprehensive income, statements of changes in fund balance and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2018 and 2017, 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 (PFRS for SMEs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Association in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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



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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.





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

Report on the Supplementary Tax Information under Revenue Regulations (RR) 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 15-2010 in Note 21 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Dasmariñas Village Association, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Jennifer D. Tielao

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Partner

CPA Certificate No. 109616

SEC Accreditation No. A-816-A (Group A),

January 31, 2019, valid until May 31, 2019

Tax Identification No. 245-571-753

BIR Accreditation No. 08-001998-110-2018,

February 14, 2018, valid until February 13, 2021

PTR No. 7332620, January 3, 2019, Makati City

February 28, 2019



DASMARIÑAS VILLAGE ASSOCIATION, INC.**(A Nonstock, Not-for-profit Organization)****STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCE**

	December 31		January 1
		2017	2017
		(As restated -	(As restated -
	2018	Note 3)	Note 3)
ASSETS			
Current Assets			
Cash and cash equivalents (Note 5)	₱204,523,438	₱193,310,100	₱238,019,954
Short-term investments (Note 7)	157,768,181	111,255,053	15,550,935
Accounts receivable (Note 6)	3,580,499	1,655,283	911,571
Prepayments	290,199	300,741	280,799
Total Current Assets	366,162,317	306,521,177	254,763,259
Noncurrent Assets			
Available-for-sale financial assets (Note 8)	24,706,357	26,189,682	26,135,412
Property and equipment (Note 9)	15,743,529	13,309,082	19,023,842
Refundable deposits	1,100,177	1,115,176	965,176
Pension assets - net (Note 11)	3,584,841	1,756,053	2,038,568
Advances to Suppliers (Note 9)	1,307,938	-	-
Total Noncurrent Assets	46,442,842	42,369,993	48,162,998
TOTAL ASSETS	₱412,605,159	₱348,891,170	₱302,926,257
LIABILITIES AND FUND BALANCE			
Current Liabilities			
Accounts payable and accrued expenses (Note 10)	₱19,205,403	₱12,012,223	₱21,193,241
Membership dues received in advance (Note 12)	633,364	9,627,500	8,248,479
Construction bond (Note 13)	171,675,930	152,770,655	148,490,805
Total Current Liabilities	191,514,697	174,410,378	177,932,525
Noncurrent Liability			
Provisions (Note 20)	-	4,495,541	-
Total Liabilities	191,514,697	178,905,919	177,932,525
Fund Balance (Notes 3 and 19)			
Unappropriated	131,112,117	79,960,516	125,023,267
Appropriated	90,000,000	90,000,000	-
Unrealized gain(loss) on available-for-sale financial assets (Note 8)	(21,655)	24,735	(29,535)
Total Fund Balance	221,090,462	169,985,251	124,993,732
TOTAL LIABILITIES AND FUND BALANCE	₱412,605,159	₱348,891,170	₱302,926,257

See accompanying Notes to Financial Statements.



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

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2018	2017 (As restated - Note 3)
REVENUE		
Stickers, permits and other fees (Note 14)	₱24,979,341	₱28,842,477
Interest income (Notes 5, 7 and 8)	8,580,604	4,688,557
	33,559,945	33,531,034
COSTS AND EXPENSES		
Direct Costs		
Security services	25,897,679	25,777,119
Garbage services	10,397,954	8,468,870
Street repairs and maintenance	6,411,135	8,098,325
Street lights	3,824,847	3,352,655
Stickers and supplies	2,647,013	2,149,073
Community affairs	1,541,539	600,592
Depreciation (Note 9)	197,676	300,820
	50,917,843	48,747,454
General and Administrative Expenses		
Personnel costs (Notes 11 and 15)	10,664,453	11,342,385
Professional fees and legal expenses	6,125,236	4,088,994
Depreciation and amortization (Note 9)	4,458,095	6,213,677
Communication and utilities	3,086,605	2,530,051
Impairment loss on available-for-sale financial asset (Note 8)	1,436,935	—
Stationery and supplies	1,303,676	1,156,419
Taxes and licenses	858,840	842,340
Repairs, sanitation and maintenance	501,021	440,154
Insurance	346,461	375,320
Meeting and representation expense	115,238	126,961
Loss on disposal of property and equipment (Note 9)	—	25,363
Provision for probable losses (Note 20)	—	4,495,541
Miscellaneous	634,709	703,540
	29,531,269	32,340,745
DEFICIENCY OF REVENUE OVER COSTS AND EXPENSES BEFORE MEMBERS' SUPPORT	(46,889,167)	(47,557,165)
MEMBERS' SUPPORT		
Membership dues (Note 17)	98,040,768	92,494,414
EXCESS OF REVENUE AND MEMBERS' SUPPORT OVER COSTS AND EXPENSES	51,151,601	44,937,249
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive income that may be reclassified to profit or loss in subsequent years:		
Unrealized gain (loss) on available-for-sale financial asset (Note 8)	(46,390)	54,270
TOTAL COMPREHENSIVE INCOME	₱51,105,211	₱44,991,519

See accompanying Notes to Financial Statements



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

STATEMENTS OF CHANGES IN FUND BALANCE

	Fund Balance (Note 19)		Unrealized Gain(Loss) on Available for-sale Financial Asset (Note 8)	Total
	Unappropriated	Appropriated		
At January 1, 2018, as previously reported	₱88,997,498	₱90,000,000	₱24,735	₱179,022,233
Prior period adjustments (Note 3)	(9,036,982)	—	—	(9,036,982)
At January 1, 2018, as restated	79,960,516	90,000,000	24,735	169,985,251
Excess of revenue and members' support over costs and expenses	51,151,601	—	—	51,151,601
Other comprehensive loss	—	—	(46,390)	(46,390)
Total comprehensive income	51,151,601	—	(46,390)	51,105,211
As of December 31, 2018	₱131,112,117	₱90,000,000	(₱21,655)	₱221,090,462
At January 1, 2017, as previously reported	₱136,348,462	₱—	(₱29,535)	₱136,318,927
Prior period adjustments (Note 3)	(11,325,195)	—	—	(11,325,195)
At January 1, 2017, as restated	125,023,267	—	(29,535)	124,993,732
Excess of revenue and members' support over costs and expenses, as previously reported	42,649,036	—	—	42,649,036
Prior period adjustments (Note 3)	2,288,213	—	—	2,288,213
Excess of revenue and members' support over costs and expenses, as restated	44,937,249	—	—	44,937,249
Other comprehensive income	—	—	54,270	54,270
Total comprehensive income, as restated	44,937,249	—	54,270	44,991,519
Appropriation for future construction	(90,000,000)	90,000,000	—	—
Balances at December 31, 2017	₱79,960,516	₱90,000,000	₱24,735	₱169,985,251

See accompanying Notes to Financial Statements



DASMARIÑAS VILLAGE ASSOCIATION, INC.
(A Nonstock, Not-for-profit Organization)
STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2018	2017 (As restated - Note 3)
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue and members' support over costs and expenses	₱51,151,601	₱44,937,249
Adjustments for:		
Depreciation and amortization (Note 9)	4,655,771	6,514,497
Impairment loss on available-for-sale financial asset (Note 8)	1,436,935	—
Provision (reversal of provision) for losses (Note 20)	(4,495,541)	4,495,541
Interest income (Notes 5, 7 and 8)	(8,580,604)	(4,688,557)
Pension expense (income) net of contributions paid (Note 11)	(1,828,788)	282,515
Loss on disposal of property and equipment (Note 9)	—	25,363
Reversal of construction bond (Note 13)	—	(2,798,000)
Decrease (increase) in:		
Accounts receivable	61,991	(13,832)
Prepayments	10,542	(19,942)
Increase (decrease) in:		
Accounts payable and accrued expenses	7,193,179	(9,181,018)
Membership dues received in advance	(8,994,136)	1,379,021
Deposits received as construction bond (Note 13)	70,090,125	78,219,950
Increase in refundable deposits	15,000	(150,000)
Refund of construction bond (Note 13)	(51,184,850)	(71,142,100)
Net cash flows provided by used in operating activities	59,531,225	47,860,687
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from short-term investment	111,255,053	15,550,935
Interest received	6,593,406	3,958,677
Acquisition of short-term investments	(157,768,181)	(111,255,053)
Acquisitions of property and equipment (Note 9)	(7,090,227)	(825,100)
Advances to suppliers (Note 9)	(1,307,938)	—
Net cash flows used in investing activities	(48,317,887)	(92,570,541)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	11,213,338	(44,709,854)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	193,310,100	238,019,954
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	₱204,523,438	₱193,310,100

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.

The Association's records have been transferred from Securities and Exchange Commission (SEC) last January 26, 2006 to the Housing and Land Use Regulatory Board (HLURB). As of December 31, 2018, the certificate of registration from HLURB is yet to be issued to the Association upon completion of all the required documents.

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 provides to its members and tenants are subject to income tax and value-added tax (VAT), subject to certain exceptions.

In 2018, RR No. 13-2018 Section 4.109-1 (y) states that Association dues, membership fees, and other assessments and charges collected on a purely reimbursement basis by homeowners' associations and condominium corporations established under Republic Act No. 9904 (Magna Carta for Homeowners and Homeowners' Association) and Republic Act No. 4726 (The Condominium Act), respectively are VAT-exempt transactions.

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

The accompanying financial statements were authorized for issue by the Board of Governors on February 28, 2019.



2. Basis of Preparation

The accompanying financial statements of the Association have been prepared using the historical cost basis, except for available-for-sale financial assets and pension assets carried at fair value. Amounts 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

Changes in Accounting Policy and Disclosure

The accounting policies adopted in the preparation of the Association's financial statements are consistent with those of the previous financial year except for the adoption of the following new accounting pronouncements starting January 1, 2018. Adoption of these pronouncements did not have any significant impact on the Association's statement of assets, liabilities and fund balances or performance unless otherwise indicated.

PIC Q&A 2016-03, "Accounting for Common Areas and the Related Subsequent Costs by Condominium Corporation" states that "Permanent land and other common areas should not be recognized as assets in the financial statements of a Condominium Corporation /Homeowners' Association because it does not control these assets". The consensus in the Q&A is effective for annual periods beginning on or after January 1, 2018 and should be applied retrospectively. As a result, the following reconciliations were made to the Association's financial statements as of December 31, 2017 and January 1, 2017 and for the year ended December 31, 2017.

	December 31, 2017 (As previously reported)	Restatements	December 31, 2017 (As restated)
Statements of Assets, Liabilities and Fund Balance			
<i>Assets</i>			
Property and equipment	₱22,346,064	(₱9,036,982)	₱13,309,082
<i>Fund Balance</i>			
Fund Balance	179,022,233	(9,036,982)	169,985,251
Statements of Comprehensive Income			
<i>Expense</i>			
Depreciation and amortization	8,802,710	(2,288,213)	6,514,497
	January 1, 2017 (As previously reported)	Restatements	January 1, 2017 (As restated)
Statements of Assets, Liabilities and Fund Balance			
<i>Assets</i>			
Property and equipment	₱30,349,037	(₱11,325,195)	₱19,023,842
<i>Fund Balance</i>			
Fund Balance	136,318,927	(11,325,195)	124,993,732
Statements of Comprehensive Income			
<i>Expense</i>			
Depreciation and amortization	9,232,387	(2,403,644)	6,828,743
Loss on derecognition of fixed assets	—	698,582	698,582



Management believes that the presentation of the statements of Assets, Liabilities and Fund Balance as at beginning of the earliest period presented is necessary as the restatement have significant impact on the Association's fund balance as of January 1, 2017. There is no impact on the presentation of statements of cash flows.

PIC Q&A 2016-03, also states that "Special assessment is **collected** for specific purpose and will only be spent on said purpose, there will be no gross inflow of **economic** benefits to the Association. Thus, such could not be recognized as revenue. However, since the Association received cash from the homeowners, it has the liability to ensure that said cash is intact and will be spent for the purpose it is collected. In this regard, a liability should be recognized in the books of the Association and once spent, said liability will be reversed. Any excess from the cash received from the homeowners against the amount spent for special assessment will be reversed to fund balance as it represents an increase in the fund balance related to contributions from homeowners as fund balance participants." There are no special assessments charged by the Association in 2018 and 2017; thus this provision has no impact in the Association's financial statements.

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 months or less and are subject to an insignificant risk of change in value.

Short-term investment

Short term investments are convertible to cash for a term of more than 90 days to one year.

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 short-term 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 fair value through profit or loss (FVPL), held-to-maturity (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 the statement comprehensive income. Interest earned on holding AFS financial assets are reported as interest income using the effective interest rate (EIR).

Dividends earned on holding AFS financial assets are recognized in the 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 the 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.

Refundable Deposit

Refundable deposit pertains to security deposits made by the Association to public utility companies like Meralco, PLDT and Manila Water Company.

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses are obligations on the basis of normal credit terms and are non-interest bearing and are expected to be settled in the next 12 months.

Accounts payable and accrued expenses are recognized only when the following conditions are met: (a) there exists a present obligation (legal or constructive) as a result of past event; (b) it is probable that an outflow of economic 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.

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

Where the Association has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Association's continuing involvement in 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 comprehensive income.

Offsetting Financial Instruments

Financial instruments are offset and the net amount is reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

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 or 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. To be recognized as asset, the Association must have control over the economic benefits expected to be derived from such asset. Control over an asset is the ability of the entity to direct the use of the asset so as to obtain economic benefits. The Association has right to direct the use of an asset if the entity can direct how and for what purpose the asset is used.

Depreciation is computed using the straight-line basis over the estimated useful lives of the assets as follows:

	Years
Building and other 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 and 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 fair value less costs to sell.

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 since the last impairment loss was recognized, but not in excess of the 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.

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 profit or loss.

Actuarial gains and losses are recognized in full in the statement of comprehensive income.

The net pension 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).

Construction Bond

Construction bond 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 Subdivision. The construction bond ensures that village properties are not destroyed or damaged through the course of the construction. It 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.

Fund Balance

Fund balance is the difference between the Association's assets and liabilities. Fund balance is increased when revenues exceed expenses for the reporting period. Correspondingly, fund balance is decreased when expenses exceed revenues. A positive fund balance represents a financial resource available to finance expenses of the following period. A deficit fund balance can only be recovered by having revenues exceed expenses in the following period.

A portion of the balance in a fund may be committed and restricted to provide the funding for planned projects of the Association. Fund balance may be considered as a surplus or an excess only to the extent that it has not been committed, identified for a purpose, or is available for re-appropriation to a different purpose.

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 is recognized as it accrues.

Costs and Expenses

The Association's costs and expenses are those that arise in the course of ordinary operations of the Association. Expenses are recognized in the statement of comprehensive income as incurred.

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 liability method, on all temporary differences, with certain exceptions, 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 exception. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefit of unused tax credits from excess minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and net operating loss carryover (NOLCO), to the extent that it is probable that future taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from MCIT and NOLCO can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable income will be 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 asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rate and tax laws that have been enacted or substantively enacted at the financial reporting date. Movements in the deferred income tax assets and liabilities arising from changes in tax rates are charged against or credited to income for the period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets relate to the same taxable 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 or 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.

Judgments

In the process of applying the Association's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements.

Recognition of Capitalizable Property and Equipment

The Association recognize assets in accordance with PIC Q&A 2016-03 which states that an item is defined as an asset if it is probable that any future economic benefit associated with the item will flow to or from the entity and the item has a cost or value that can be measured reliably. The Association believes that the Association has control over the capitalized property and equipment and has the ability to direct the use of the asset so as to obtain economic benefits.



The management has derecognized previously capitalized property and equipment and the related accumulated depreciation for those assets that they assessed to have no control over the realization of economic benefits. Please refer to Note 3 for summarized reconciliation of restated balances.

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 fair value less cost to sell 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.

No impairment loss was recognized in 2018 and 2017 for the Association's property and equipment. As of December 31, 2018 and 2017, the carrying value of the Association's property and equipment amounted to ₱15,743,529 and ₱13,309,082, respectively (Note 9).

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 doubtful accounts

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, 2018 and 2017, the carrying amounts of accounts receivable amounted to ₱3,580,499 and ₱1,655,283, respectively, while allowance for doubtful accounts amounted to ₱132,083 as of December 31, 2018 and 2017 (Note 6).

Impairment of available for sale investments

The Association assess investments if whether there is an indication that the carrying amount of an asset may not be recoverable. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. However, PAS 39 makes clear that a decline in fair value to less than cost is not necessarily an impairment. The key issue is to determine whether a decline in value below cost is accompanied by objective evidence of impairment.

A "significant or prolonged decline" in the fair value of an investment in an instrument below its cost is also being considered by the Association as an objective evidence of impairment. The Association generally considers "significant" as decline of 20% or more below the original cost of the investment, and "prolonged" as twelve (12) months or more. The reference is to a "significant" or "prolonged decline", not a significant and prolonged decline.



For the years ended December 31, 2018 and December 31, 2017, the impairment of AFS investment amounted to ₱1,436,935 and nil, respectively. As of December 31, 2018 and 2017, the carrying amount of the AFS investments amounted to ₱24,706,357 and ₱26,189,682, respectively (Note 8).

Pension cost

The determination of the Association's pension liability and cost for retirement benefits is dependent on selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount 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 11):

	2018	2017
Defined benefit obligation	₱11,077,195	₱11,616,071
Plan assets	14,662,036	13,372,124
Pension assets - net	3,584,841	1,756,053

Deferred tax assets

The Association reviews its deferred tax assets at the end of each reporting period and derecognizes it to the extent that it is no longer probable that sufficient future 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 amounting to ₱40,256,817 and ₱38,622,925 as of December 31, 2018 and 2017, respectively, were not recognized (Note 16).

Provisions and contingencies

The estimate of the amount of the probable loss arising from third party claims is based on management's assessment of the probability of all possible outcomes and analysis of potential results. Provision for probable loss amounted to ₱4.50 million as of December 31, 2017 (nil in 2018, see Note 20).

5. Cash and Cash Equivalents

	2018	2017
Petty cash and postage funds	₱40,000	₱40,000
Cash on hand	117,977	180,083
Current and savings accounts with banks	8,029,213	15,380,395
Cash equivalents	196,336,248	177,709,622
	₱204,523,438	₱193,310,100

Cash on hand pertains to undeposited checks as of year-end. Current and savings accounts with banks earn interest at the respective bank deposit rates.

Cash equivalents are made for varying periods of up to three (3) months and earn annual interest ranging from 1.0% to 3.6% and 1.2% to 1.6% in 2018 and 2017, respectively. Interest income earned on cash in banks amounted to ₱34,546 and ₱48,761 in 2018 and 2017, respectively. Interest income earned on cash equivalents amounted to ₱4,217,158 and ₱2,217,215 in 2018 and 2017, respectively.



6. Accounts Receivable

	2018	2017
Accrued interest	₱3,346,447	₱1,359,249
Advances to former employee	132,083	132,083
Unpaid membership dues	98,784	187,135
Others	135,268	108,899
	3,712,582	1,787,366
Less allowance for doubtful accounts	132,083	132,083
	₱3,580,499	₱1,655,283

Accrued interest pertains to interest on cash equivalents, short-term investments and available-for-sale treasury notes.

Advances to former employee are noninterest-bearing loans which is due and demandable. Allowance for doubtful accounts was provided for the full amount.

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

Details of unpaid membership dues follow:

	2018	2017
Unpaid membership dues:		
2018	₱16,464	₱-
2017	16,464	121,279
2016	16,464	16,464
2015	16,464	16,464
2014	16,464	16,464
2013	16,464	16,464
	₱98,784	₱187,135

Others mainly consist of receivable from sponsorships and rental of the Association's facilities. The Association has no additional provision for doubtful accounts for the years ended December 31, 2018 and 2017.

7. Short-term Investments

As of December 31, 2018 and 2017, investment in Treasury Bills amounting to ₱157,768,181 and ₱111,255,053, respectively, are for a term of more than 90 days to one year which carries interest rate ranging from 1.8% to 4.05% and 1.6% to 2.19%, respectively, per annum. Interest income earned amounted to ₱3,358,736 and ₱1,598,202 in 2018 and 2017, respectively.

8. Available-for-Sale Financial Assets

In 2015, the Association purchased fixed rate treasury notes amounting to ₱15,845,762, with annual coupon rate of 2.71%, payable semiannually and has a maturity of 5 years. The Association also purchased 23,300 preferred shares amounting to ₱10,319,185.



Interest income on investment in available-for-sale financial asset amounted to ₱970,164 and ₱824,379 in 2018 and 2017, respectively.

Composition of the Association's investments in available for sale financial assets as of December 31 follow:

	2018	2017
Cost		
Treasury notes	₱15,845,762	₱15,845,762
Preferred shares	10,319,185	10,319,185
Total	26,164,947	26,164,947
Impairment	(1,436,935)	—
Unrealized gain (loss)	(21,655)	24,735
Balance as of December 31	₱24,706,357	₱26,189,682

Unrealized gain (loss) charged to OCI for investments in available-for-sale financial asset as of December 31 follow:

	2018	2017
Balance at January 1	₱24,735	(₱29,535)
Unrealized gain (loss) charged to OCI	(46,390)	54,270
Balance as of December 31	(₱21,655)	₱24,735

9. Property and Equipment

2018

	Building and Other Improvements	Furniture, Fixtures and Equipment	Transportation Equipment	Security and Park Equipment	Software and Licenses	Total
Cost						
At January 1, as previously reported	₱40,522,687	₱12,860,975	₱1,564,366	₱14,984,413	₱310,018	₱70,242,459
Prior period adjustments (Note 3)	(7,253,463)	—	—	(13,990,101)	—	(21,243,564)
At January 1, as restated	33,269,224	12,860,975	1,564,366	994,312	310,018	48,998,895
Additions	422,653	394,310	5,416,325	856,930	—	7,090,218
Disposals/Retirement	—	(81,700)	—	—	—	(81,700)
At December 31, 2018	33,691,877	13,173,585	6,980,691	1,851,242	310,018	56,007,413
Accumulated Depreciation and Amortization						
At January 1, as previously reported	27,273,068	11,200,339	1,391,368	7,844,303	187,317	47,896,395
Prior period adjustments (Note 3)	(5,286,789)	—	—	(6,919,793)	—	(12,206,582)
At January 1, as restated	21,986,279	11,200,339	1,391,368	924,510	187,317	35,689,813
Depreciation and amortization	2,829,504	1,390,906	197,676	182,099	55,586	4,655,771
Disposals/Retirement	—	(81,700)	—	—	—	(81,700)
At December 31, 2018	24,815,783	12,509,545	1,589,044	1,106,609	242,903	40,263,884
Net Book Value	₱8,876,094	₱664,040	₱5,391,647	₱744,633	₱67,115	₱15,743,529



2017

	Building and Other Improvements	Furniture, Fixtures and Equipment	Transportation Equipment	Security and Park Equipment	Software and Licenses	Total
Cost						
At January 1, as previously reported	₱69,708,160	₱30,040,659	₱10,646,241	₱21,034,973	₱983,497	₱132,413,530
Prior period adjustments (Note 3)	(7,253,463)	—	—	(13,990,101)	—	(21,243,564)
At January 1, as restated	62,454,697	30,040,659	10,646,241	7,044,872	983,497	111,169,966
Additions	479,945	212,994	—	—	132,161	825,100
Disposals/Retirement	(29,665,418)	(17,392,678)	(9,081,875)	(6,050,560)	(805,640)	(62,996,171)
Balances at December 31, 2017	33,269,224	12,860,975	1,564,366	994,312	310,018	48,998,895
Accumulated Depreciation and Amortization						
At January 1, as previously reported	52,855,927	25,939,796	10,172,423	12,171,684	924,663	102,064,493
Prior period adjustments (Note 3)	(4,585,699)	—	—	(5,332,670)	—	(9,918,369)
At January 1, as restated	48,270,228	25,939,796	10,172,423	6,839,014	924,663	92,146,124
Depreciation and amortization	3,381,469	2,635,807	300,820	136,057	60,344	6,514,497
Disposals/Retirement	(29,665,418)	(17,375,264)	(9,081,875)	(6,050,561)	(797,690)	(62,970,808)
Balances at December 31, 2017	21,986,279	11,200,339	1,391,368	924,510	187,317	35,689,813
Net Book Value	₱11,282,945	₱1,660,636	₱172,998	69,802	₱122,701	₱13,309,082

On July 31, 1968, 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.

Loss arising from the sale of property and equipment amounted to ₱0.03 million in 2017 (nil in 2018), which is recorded in "Loss on disposal of property and equipment" under "General and Administrative expense" of the Association's statements of comprehensive income.

All tax 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:

	2018	2017
General and administrative expenses	₱4,458,095	₱6,213,677
Direct costs	197,676	300,820
	₱4,655,771	₱6,514,497

Fully depreciated assets, amounting ₱28,209,937 and ₱15,185,549 as of December 31, 2018 and 2017, respectively, are still in active use.

No property and equipment were pledged as security to the Association's obligation in 2018 and 2017.



Advances to Suppliers

This account pertains to advance payments made for purchase of furniture and fixtures. As of December 31, 2018, the carrying amount of this account amounted to ₱1,307,938.

10. Accounts Payable and Accrued Expenses

	2018	2017
Accounts payable	₱9,964,413	₱6,915,276
Accrued expenses	6,750,996	2,845,441
Christmas fund	873,381	831,131
Employees' educational and loan fund	143,977	119,369
Other payables	1,472,636	1,301,006
	₱19,205,403	₱12,012,223

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.

11. 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 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 as at December 31, 2018 and 2017.

Net pension expense (income) included in personnel costs under general and administrative expenses account in the statements of comprehensive income follows:

	2018	2017
Current service cost	₱520,436	₱555,396
Net interest cost (income)	(68,486)	37,030
Actuarial loss (gain) recognized	(1,280,738)	282,515
Pension expense (income)	(₱828,788)	₱874,941

The funded status and amounts recognized in the statements of assets, liabilities and fund balance for the retirement plan as of December 31, 2018 and 2017 follow:

	2018	2017
Benefit obligation	₱11,077,195	₱11,616,071
Plan assets	(14,662,036)	(13,372,124)
Pension asset - net	(₱3,584,841)	(₱1,756,053)



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

	2018	2017
Present value of the benefit obligation, beginning	₱11,616,071	₱10,909,682
Current service cost	520,436	555,396
Interest cost	453,027	425,478
Actuarial gain on obligation	(1,512,339)	—
Benefits paid	—	(274,485)
Present value of the benefit obligation, ending	₱11,077,195	₱11,616,071

Changes in fair value of plan assets follow:

	2018	2017
Fair value of plan assets, beginning	₱13,372,124	₱12,948,250
Contributions paid	1,000,000	592,426
Interest Income	521,513	388,448
Actuarial loss on plan assets	(231,601)	(282,515)
Benefits paid	—	(274,485)
Fair value of plan assets, ending	₱14,662,036	₱13,372,124

The plan assets are maintained with a trustee bank.

The distribution of plan assets as of December 31, 2018 and 2017 follows:

	2018	2017
Cash and cash equivalents	₱14,126,516	₱12,773,063
Investment in equity securities	179,118	415,500
Investment in debt securities	351,000	196,869
Receivables	39,499	20,035
	14,696,133	13,405,467
Less accrued trust fees and other payables	(34,097)	(33,343)
	₱14,662,036	₱13,372,124

The actual return on plan assets amounted to ₱366,513 and ₱105,933 in 2018 and 2017, respectively.

Movement in the net pension assets during the year follows:

	2018	2017
At beginning of year	(₱1,756,053)	(₱2,038,568)
Pension expense (income)	(828,788)	874,941
Contributions	(1,000,000)	(592,426)
At end of year	(₱3,584,841)	(₱1,756,053)

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

	2018	2017
Discount rate	7.90%	3.90%
Salary increase rate	5.00%	5.00%



12. Membership Dues Received in Advance

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

13. 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 noninterest-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:

	2018	2017
Balance at January 1	₱152,770,655	₱148,490,805
Deposits	70,090,125	78,219,950
Refunds and reversal	(51,184,850)	(73,940,100)
Balance at December 31	₱171,675,930	₱152,770,655

The amount of refunds and reversal of ₱51,184,850 and ₱73,940,100 includes reversal of construction bond amounting to nil and ₱2,798,000 for the years ended December 31, 2018 and 2017, respectively.

14. Stickers, Permits and Other Fees

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

In 2012, the Association entered into a lease agreement with Globe Telecom, Inc. (Globe) for the rental of sidewalks and portion of park inside the village for the latter's telecommunication facilities. The lease contract shall be for the period of 5 years commencing on May 15, 2012 and shall expire on March 14, 2017, renewable for 5 years subject to renegotiations at the option of the Lessee. Monthly rental fee amounted to ₱100,000, net of all taxes.

In 2013, an addendum to the agreement was made to recognize additional monthly rental of ₱100,000, net of all taxes subject to 4.5% escalation starting on the 3rd year of the lease period.

On March 14, 2017, the lease agreement has expired. However, Globe exercised its option to continue its services to the members of the Association and continuously pay its monthly rental under the same term to the Association. For the years ended December 31, 2018 and 2017, the Association recognized rental income amounting to ₱2,568,000.



15. Personnel Costs

	2018	2017
Salaries and wages	₱8,810,524	₱8,035,406
Pension expense (income) (Note 11)	(828,788)	874,941
Other employee benefits	2,682,717	2,432,038
Balance at December 31	₱10,664,453	₱11,342,385

Salaries and wages are the remuneration paid to its regular employees.

Other employee benefits is comprised of allowances such as meal, transportation and rice subsidy and contributions to SSS, Philhealth and Pag-Ibig.

16. Income Tax

There is no provision for income tax in 2018 and 2017 as the Association is in a tax loss position.

As of December 31, 2018, net operating loss carryover (NOLCO) that can be claimed as deduction from future taxable income and used/expired is shown below:

Inception Year	Amount	Expirations	Balance	Expiry Year
2015	₱49,231,974	₱49,231,974	₱—	2018
2016	28,676,376	—	28,676,376	2019
2017	50,834,732	—	50,834,732	2020
2018	56,228,938	—	56,228,938	2021
	₱184,972,020	₱49,231,974	₱135,740,046	

The unexpired NOLCO as of December 31, 2018 and 2017 amounted to ₱135,740,046 and ₱128,743,082, respectively. The deferred tax effect on NOLCO as of December 31, 2018 and 2017 amounted to **₱40,722,014** and **₱38,622,925**, respectively. However, the Association deemed that there is not enough taxable income in the future from which NOLCO may be applied. Accordingly, no deferred tax asset was recognized on the NOLCO.

17. Membership Dues

Membership dues are collected from members to cover the revenue deficiency and for special projects. This consists of Association dues assessed, garbage fees and special assessment amounting to ₱98,040,768 and ₱92,494,414 in 2018 and 2017, respectively.

18. 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.

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 pertain to short-term compensation and benefits of key management personnel amounting to nil in 2018 and 2017. There is no long-term, share-based or other compensation arrangement with key management personnel.

19. Appropriated Fund

On December 14, 2017, the Board of Governors approved the appropriation of ₱90.0 million fund for the construction of an underground 2-level parking lot at Campanilla Park which is expected to be completed within three (3) years.

20. Provisions

Provisions of ₱4.50 million as of December 31, 2017 was recognized for estimated losses on claims by a third party. The information usually required by Section 21 of PFRS for SMEs, *Provisions and Contingencies*, is not disclosed on the grounds that it can be expected to prejudice the Association's position. During the year, the provision was reversed due to the settlement of the tax obligations.

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

The Association reported and paid the following taxes for the year ended December 31, 2018:

Value Added Tax (VAT)

The Association has none to report.

Information on the Association's Importations

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 statements of comprehensive income. Details of other taxes and licenses in 2018 follow:

Real estate taxes	₱805,605
Licenses and permits fees	52,735
Community taxes	500
	<u>₱858,840</u>

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



Withholding Taxes

	Outstanding	Amount recognized during the year
Expanded withholding taxes	₱129,556	₱839,538
Withholding taxes on compensation and benefits	74,488	265,855
	₱204,044	₱1,105,393

Tax Contingencies

As of December 31, 2018, the Association does not have any pending tax assessments from BIR or any cases outside the administration of BIR.

