

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

Financial Statements
December 31, 2019 and 2018

and

Independent Auditor's Report



**Building a better
working world**

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, not-for-profit organization, which comprise the statements of assets, liabilities and fund balance as at December 31, 2019 and 2018, 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, 2019 and 2018, 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.

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.

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February 14, 2018, valid until February 13, 2021

PTR No. 8125310, January 7, 2020, Makati City

February 18, 2020



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

	December 31	
	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents (Note 5)	₱309,310,193	₱204,523,438
Short-term investments (Note 7)	146,547,148	157,768,181
Accounts receivable (Note 6)	3,570,175	3,580,499
Prepayments	275,079	290,199
Total Current Assets	459,702,595	366,162,317
Noncurrent Assets		
Available-for-sale financial assets (Note 8)	25,606,862	24,706,357
Property and equipment (Note 9)	14,370,857	15,743,529
Refundable deposits	987,643	1,100,177
Pension assets - net (Note 11)	1,631,530	3,584,841
Advances to suppliers (Note 9)	—	1,307,938
Total Noncurrent Assets	42,596,892	46,442,842
TOTAL ASSETS	₱502,299,487	₱412,605,159
LIABILITIES AND FUND BALANCE		
Current Liabilities		
Accounts and other payables (Note 10)	₱26,199,601	₱19,205,403
Membership dues received in advance (Note 12)	895,924	633,364
Construction bond (Note 13)	192,424,178	171,675,930
Total Current Liabilities	219,519,703	191,514,697
Noncurrent Liability		
Provisions (Note 20)	7,000,000	—
Total Liabilities	226,519,703	191,514,697
Fund Balance (Notes 3 and 19)		
Unappropriated	184,342,849	131,112,117
Appropriated	90,000,000	90,000,000
Unrealized gain(loss) on available-for-sale financial assets (Note 8)	1,436,935	(21,655)
Total Fund Balance	275,779,784	221,090,462
TOTAL LIABILITIES AND FUND BALANCE	₱502,299,487	₱412,605,159

See accompanying Notes to Financial Statements.

DASMARIÑAS VILLAGE ASSOCIATION, INC.**(A Non-stock, Not-for-profit Organization)****STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31	
	2019	2018
REVENUE		
Stickers, permits and other fees (Note 14)	₱33,428,722	₱24,979,341
Interest income (Notes 5, 7 and 8)	14,470,684	8,580,604
	47,899,406	33,559,945
COSTS AND EXPENSES		
Direct Costs		
Security services	27,863,494	25,897,679
Garbage services	12,914,434	10,397,954
Street repairs and maintenance	6,821,576	6,411,135
Street lights	3,988,905	3,824,847
Stickers and supplies	2,909,329	2,647,013
Depreciation (Note 9)	1,128,412	197,676
Community affairs	948,793	1,541,539
	56,574,943	50,917,843
General and Administrative Expenses		
Personnel costs (Notes 11 and 15)	15,413,058	10,664,453
Provision for probable losses (Note 20)	7,000,000	—
Depreciation and amortization (Note 9)	3,583,292	4,458,095
Communication and utilities	2,900,217	3,086,605
Professional fees and legal expenses	2,064,678	6,125,236
Stationery and supplies	1,322,337	1,303,676
Taxes and licenses	848,882	858,840
Impairment loss on available-for-sale financial asset (Note 8)	558,085	1,436,935
Insurance	478,400	346,461
Meeting and representation expense	109,290	115,238
Repairs, sanitation and maintenance	71,392	501,021
Miscellaneous (Note 9)	1,275,525	634,709
	35,625,156	29,531,269
TOTAL COSTS AND EXPENSES	92,200,099	80,449,112
DEFICIENCY OF REVENUE OVER COSTS AND EXPENSES BEFORE MEMBERS' SUPPORT	(44,300,693)	(46,889,167)
MEMBERS' SUPPORT		
Membership dues (Note 17)	97,531,425	98,040,768
EXCESS OF REVENUE AND MEMBERS' SUPPORT OVER COSTS AND EXPENSES	53,230,732	51,151,601
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent years:		
Unrealized gain (loss) on available-for-sale financial asset (Note 8)	1,458,590	(46,390)
TOTAL COMPREHENSIVE INCOME	₱54,689,322	₱51,105,211

See accompanying Notes to Financial Statements

DASMARIÑAS VILLAGE ASSOCIATION, INC.**(A Non-stock, 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, 2019	₱131,112,117	₱90,000,000	(₱21,655)	₱221,090,462
Excess of revenue and members' support over costs and expenses	53,230,732	—	—	53,230,732
Other comprehensive income	—	—	1,458,590	1,458,590
Total comprehensive income	53,230,732	—	1,458,590	54,689,322
As of December 31, 2019	₱184,342,849	₱90,000,000	₱1,436,935	₱275,779,784
At January 1, 2018	₱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

See accompanying Notes to Financial Statements

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

	Years Ended December 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue and members' support over costs and expenses	₱53,230,732	₱51,151,601
Adjustments for:		
Interest income (Notes 5, 7 and 8)	(14,470,684)	(8,580,604)
Depreciation and amortization (Note 9)	4,711,704	4,655,771
Pension expense (income), net of contributions paid (Note 11)	1,953,311	(1,828,788)
Impairment loss on available-for-sale financial asset (Note 8)	558,085	1,436,935
Provision (reversal of provision) for probable losses (Note 20)	7,000,000	(4,495,541)
Loss on disposal of property and equipment (Note 9)	1,173	—
Operating income before working capital changes	52,984,321	42,339,374
Decrease (increase) in:		
Accounts receivable	(231,741)	61,982
Prepayments	15,120	10,542
Refundable deposits	112,534	15,000
Increase (decrease) in:		
Accounts payable and accrued expenses	5,948,198	7,193,179
Membership dues received in advance	262,560	(8,994,136)
Refundable deposits payable	1,046,000	—
Construction bond	20,748,248	18,905,275
Net cash flows provided by operating activities	80,885,240	59,531,216
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from short-term investment	157,768,181	111,255,053
Interest received	14,712,749	6,593,406
Placements of short-term investments	(146,547,148)	(157,768,181)
Acquisitions of property and equipment (Note 9)	(3,340,205)	(7,090,218)
Advances to suppliers (Note 9)	1,307,938	(1,307,938)
Net cash flows provided by (used in) investing activities	23,901,515	(48,317,878)
NET INCREASE IN CASH AND CASH EQUIVALENTS	104,786,755	11,213,338
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	204,523,438	193,310,100
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	₱309,310,193	₱204,523,438

See accompanying Notes to Financial Statements.



DASMARIÑAS VILLAGE ASSOCIATION, INC.
(A Non-stock, 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) with registration number NCR-HOA-E-06-0001 dated Jan 25, 2006.

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.

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

On February 6, 2020, the Board of Governors authorized the President and Treasurer to approve the issuance of the financial statements. The Association's financial statements were authorized for issuance by the President and Treasurer on February 18, 2020.

2. Basis of Preparation

The financial statements of the Association have been prepared using the historical cost basis, except for available-for-sale financial 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 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.

Financial Instruments

The Association applied the recognition and measurement provisions of PAS 39, *Financial Instruments: Recognition and Measurement* to account for all its financial instruments as allowed under PFRS for SMEs.



Unpaid membership dues constitute a lien on the property of the concerned members. Details of unpaid membership dues follow:

	2019	2018
Unpaid membership dues:		
2019	₱66,472	₱—
2018	—	16,464
2017	—	16,464
2016	—	16,464
2015	—	16,464
2014	—	16,464
2013	—	16,464
	₱66,472	₱98,784

Others mainly consist of receivable from sponsorships and rental of the Association's facilities. The Association has not recognized additional provision for doubtful accounts for the years ended December 31, 2019 and 2018.

7. Short-term Investments

As of December 31, 2019 and 2018, investment in Treasury Bills amounting to ₱146,547,148 and ₱157,768,181, respectively, are for a term of more than 90 days to one (1) year which carries interest rate ranging from 2.40% to 4.63% and 1.80% to 4.05%, respectively, per annum. Interest income earned amounted to ₱4,890,756 and ₱3,358,736 in 2019 and 2018, 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 five (5) years. The Association also purchased 23,300 preferred shares amounting to ₱10,319,185 in 2015.

The composition of the Association's investments in AFS financial assets as of December 31 follow:

	2019	2018
Cost		
Treasury notes	₱15,845,762	₱15,845,762
Preferred shares	10,319,185	10,319,185
Total	26,164,947	26,164,947
Accumulated impairment loss		
At January 1	(1,436,935)	—
Impairment loss	(558,085)	(1,436,935)
At December 31	(1,995,020)	(1,436,935)
Unrealized gain (loss)	1,436,935	(21,655)
	₱25,606,862	₱24,706,357



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

	2019	2018
Balance at January 1	(P21,655)	P24,735
Unrealized gain (loss) charged to OCI	1,458,590	(46,390)
Balance as at December 31	P1,436,935	(P21,655)

Interest income on investment in AFS financial asset amounted to P905,718 and P970,164 in 2019 and 2018, respectively.

9. Property and Equipment

2019

	Building and Other Improvements	Furniture, Fixtures and Equipment	Transportation Equipment	Security and Park Equipment	Software and Licenses	Total
Cost						
At January 1	P33,691,877	P13,173,585	P6,980,691	P1,851,242	P310,018	P56,007,413
Additions	271,246	3,052,560	—	—	16,399	3,340,205
Disposals	—	(28,125)	—	—	—	(28,125)
At December 31, 2019	33,963,123	16,198,020	6,980,691	1,851,242	326,417	59,319,493
Accumulated Depreciation and Amortization						
At January 1	24,815,783	12,509,545	1,589,044	1,106,609	242,903	40,263,884
Depreciation and amortization	2,467,692	768,385	1,128,412	298,818	48,397	4,711,704
Disposals	—	(26,952)	—	—	—	(26,952)
At December 31, 2019	27,283,475	13,250,978	2,717,456	1,405,427	291,300	44,948,636
Net Book Value	P6,679,648	P2,947,042	P4,263,235	P445,815	P35,117	P14,370,857

2018

	Building and Other Improvements	Furniture, Fixtures and Equipment	Transportation Equipment	Security and Park Equipment	Software and Licenses	Total
Cost						
At January 1,	P33,269,224	P12,860,975	P1,564,366	P994,312	P310,018	48,998,895
Additions	422,653	394,310	5,416,325	856,930	—	7,090,218
Disposals	—	(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	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	—	(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	P8,876,094	P664,040	P5,391,647	P744,633	P67,115	P15,743,529

No property and equipment were pledged as security to the Association's obligation as of December 31, 2019 and 2018.

Loss arising from the sale of property and equipment amounted to P1,173 in 2019 (nil in 2018), which is recorded in "Miscellaneous" under "General and Administrative Expense" of the Association's statements of comprehensive income.



Depreciation and amortization charged to costs and expenses follows:

	2019	2018
General and administrative expenses	₱3,583,292	₱4,458,095
Direct costs	1,128,412	197,676
	₱4,711,704	₱4,655,771

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.

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

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 (nil as of December 31, 2019).

10. Accounts and Other Payables

	2019	2018
Accounts payable	₱13,020,849	₱9,964,413
Accrued expenses	9,587,212	6,750,996
Employees' educational, loan and Christmas funds	1,332,332	1,017,358
Refundable deposits payable	1,046,000	—
Other payables	1,213,208	1,472,636
	₱26,199,601	₱19,205,403

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

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

Employees' educational, loans and Christmas funds pertain to Association's funds for regular employees deducted in advance against employees' salary. These funds are returned to employees within a year.

Refundable deposits payable pertains to deposits for move-in requirements of certain tenants.



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

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.

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, 2019 and 2018.

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

	2019	2018
Current service cost	₱373,944	₱520,436
Net interest income	(186,942)	(68,486)
Actuarial loss (gain)	1,766,309	(1,280,738)
Pension expense (income)	₱1,953,311	(₱828,788)

The funded status and amounts recognized in the statements of assets, liabilities and fund balance for the retirement plan as of December 31, 2019 and 2018 follow:

	2019	2018
Benefit obligation	₱13,614,268	₱11,077,195
Plan assets	(15,245,798)	(14,662,036)
Pension assets - net	(₱1,631,530)	(₱3,584,841)

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

	2019	2018
Present value of the benefit obligation, beginning	₱11,077,195	₱11,616,071
Interest cost	875,098	453,027
Current service cost	373,944	520,436
Actuarial loss (gain) on obligation	1,288,031	(1,512,339)
Present value of the benefit obligation, ending	₱13,614,268	₱11,077,195



Changes in fair value of plan assets follow:

	2019	2018
Fair value of plan assets, beginning	₱14,662,036	₱13,372,124
Contributions paid	—	1,000,000
Interest income	1,062,040	521,513
Actuarial loss on plan assets	(478,278)	(231,601)
Fair value of plan assets, ending	₱15,245,798	₱14,662,036

The plan assets are maintained with a trustee bank. The actual return on plan assets amounted to ₱583,762 and ₱289,912 in 2019 and 2018, respectively.

The distribution of plan assets as of December 31, 2019 and 2018 follows:

	2019	2018
Cash and cash equivalents	₱14,752,762	₱14,126,516
Investment in equity securities	213,291	179,118
Investment in debt securities	342,000	351,000
Receivables	15,097	39,499
	15,323,150	14,696,133
Less accrued trust fees and other payables	(77,352)	(34,097)
	₱15,245,798	₱14,662,036

Movement in the net pension assets during the year follows:

	2019	2018
At beginning of year	(₱3,584,841)	(₱1,756,053)
Pension expense (income)	1,953,311	(828,788)
Contributions	—	(1,000,000)
At end of year	(₱1,631,530)	(₱3,584,841)

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

	2019	2018
Discount rate	4.90%	7.90%
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 Policy

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 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.

The movement in this account follows:

	2019	2018
Balance at January 1	₱171,675,930	₱152,770,655
Deposits	91,357,873	70,090,125
Refunds and reversal	(70,609,625)	(51,184,850)
Balance at December 31	₱192,424,178	₱171,675,930

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, 2019 and 2018, the Association recognized rental income amounting to ₱2,568,000.

15. Personnel Costs

	2019	2018
Salaries and wages	₱10,193,772	₱8,810,524
Pension expense (income) (Note 11)	1,953,311	(828,788)
Other employee benefits	3,265,975	2,682,717
Balance at December 31	₱15,413,058	₱10,664,453

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

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



16. Income Tax

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, Revenue Regulation (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.

There are no provision for income tax in 2019 and 2018 as the Association is in a tax loss position.

As of December 31, 2019, 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
2016	₱28,676,376	₱28,676,376	₱-	2019
2017	50,834,732	-	50,834,732	2020
2018	56,228,938	-	56,228,938	2021
2019	50,469,632	-	50,469,632	2022
	₱186,209,678	₱28,676,376	₱157,533,302	

The unexpired NOLCO as of December 31, 2019 and 2018 amounted to ₱157,533,302 and ₱135,740,046, respectively. The deferred tax effect on NOLCO as of December 31, 2019 and 2018 amounted to ₱47,259,990 and ₱40,722,014, 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 ₱97,531,425 and ₱98,040,768 in 2019 and 2018, 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. As of and for the years ended December 31, 2019 and 2018, the Association has no significant transactions with related parties.

There are 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 ₱90,000,000 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 ₱7,000,000 as of December 31, 2019 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.

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

The Association reported and paid the following taxes for the year ended December 31, 2019:

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 2019 follow:

Real estate taxes	₱805,605
Licenses and permits fees	42,777
Community taxes	500
	<u>₱848,882</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	₱83,966	₱869,267
Withholding taxes on compensation and benefits	38,411	334,152
	₱122,377	₱1,203,419

Tax Contingencies

As of December 31, 2019, the Association does not have any pending tax assessments from BIR or any cases outside the administration of BIR.

