



MICARA ESTATES – TANZA HOMEOWNERS' ASSOCIATION, INC.

TIN: 478-229-346-000

AUDITED Financial Statements

DECEMBER 31, 2021

*(with comparative figures as at and
for the calendar year ending
December 31, 2020)*

and

REPORT OF INDEPENDENT AUDITOR

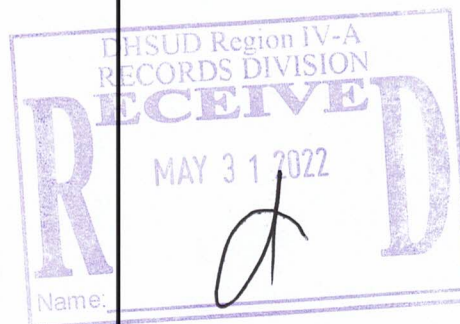
STATEMENT REQUIRED BY SECTION 8-A, REVENUE REG. NO. V-20


TO THE MEMBERS AND BOARD OF TRUSTEES
MICARA ESTATES-TANZA HOMEOWNERS' ASSOCIATION, INC.
MICARA PLAZA, MICARA ESTATES - TANZA, ANTERO SORIANO,
BRGY. SAHUD ULAN, TANZA, CAVITE.

I have audited the financial statements of **MICARA ESTATES-TANZA HOMEOWNERS' ASSOCIATION, INC.** the calendar year ended December 31, 2021, on which I have rendered my report dated April 13, 2022.

In compliance with Section 8-A, Revenue Regulation V-20, I am stating the following:

1. That the taxes paid or accrued by the above taxpayer for the year ended December 31, 2021 are shown in the schedule of taxes and licenses attached to the income tax return.
2. That I am not related by consanguinity or affinity to the Management and Board of Directors;
3. That I, as the Principal/ Managing Director of Glaiza C. Azurin Accounting Office, or my staff, have no financial interest to the Association or any family relationships with its management.




GLAIZA C. AZURIN, CPA
PRC license No. 119189
PRBOA No. 4800 - valid until April 27, 2024
BIR Accreditation No. 09-005369-001-2020 – valid until March 13, 2023
TIN 223-630-714-000
PTR No. CI1869916, January 04, 2022, Imus City, Cavite

April 13, 2022
City of Imus, Cavite



REPORT OF INDEPENDENT AUDITOR

TO THE MEMBERS AND BOARD OF TRUSTEES
MICARA ESTATES-TANZA HOMEOWNERS' ASSOCIATION, INC.
MICARA PLAZA, MICARA ESTATES - TANZA, ANTERO SORIANO,
BRGY. SAHUD ULAN, TANZA, CAVITE.



Report on the Audit of the Financial Statements

Opinion

I have audited the financial statements of **MICARA ESTATES-TANZA HOMEOWNERS' ASSOCIATION, INC.** (the "Association"), which comprise the statement of financial position as at December 31, 2021, and the statement income, statement of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all respects, the financial position of **MICARA ESTATES-TANZA HOMEOWNERS' ASSOCIATION, INC.** as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRS) for Small Entities (SEs).

The financial statements of **MICARA ESTATES-TANZA HOMEOWNERS' ASSOCIATION, INC.** for the year ended December 31, 2020 were audited by **RONA C. OIDEM** whose report dated **APRIL 13, 2021**, disclosed an unmodified opinion.

Basis for Opinion

I conducted my audit in accordance with Philippine Standards on Auditing (PSA). My responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of Financial Statements section of my report. I am independent of the Association in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, the Code of Ethics for Professional Accountants in the Philippine (Philippine Code of Ethics), and I have fulfilled my other responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit 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 PFRS for SEs, 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 Corporation's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from materials misstatement, whether due to fraud or error, and to issue an auditors' report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are consider 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 PSA, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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 my 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 Corporation'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 Corporation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. Our conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosure, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I 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 I identify during my audit.

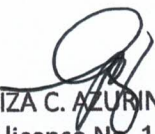
I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



From the matters communicated with those charged with governance, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I described these matters in my auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

My 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 Nos. 19-2011 and 15-2010 in notes to the financial statements, respectively, 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 **MICARA ESTATES-TANZA HOMEOWNERS' ASSOCIATION, INC..** The information has been subjected to the auditing procedures applied in my audit of the basic financial statements. In my opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


GLAIZA C. AZURIN, CPA
PRC license No. 119189

PRBOA No. 4800 - valid until April 27, 2024

BIR Accreditation No. 09-005369-001-2020 – valid until March 18, 2023

TIN 223-630-714-000

PTR No. CI1869916, January 04, 2022, Imus City, Cavite

April 13, 2022
City of Imus, Cavite



AUDITED FINANCIAL STATEMENTS

December 31, 2021

(With comparative figures for 2020)

MICARA ESTATES-TANZA **HOMEOWNERS' ASSOCIATION, INC.** *(A Nonstock, Not-for-Profit Corporation)*

TIN # 478-229-346-000
HLURB Reg. # STR-1053

Micara Estates-Tanza,
Antero Soriano, Bgy. Sahud Ulan
Tanza, Cavite

MICARA ESTATES-TANZA HOMEOWNERS' ASSOCIATION, INC.
(A Non-Stock, Not-for-Profit Organization)

STATEMENTS OF FINANCIAL POSITION

As of December 31

	2021	2020
ASSETS		
Current Assets		
Cash (Note 5)	₱7,070,953	₱6,440,339
Noncurrent Assets		
Miscellaneous deposits (Note 6)	75,710	65,710
	₱7,146,663	₱6,506,049
LIABILITIES AND MEMBERS' EQUITY		
Liabilities		
Accounts and other payables (Note 7)	₱1,513,184	₱4,143,071
Members' Equity		
General fund (Note 8)	5,633,479	2,362,978
	₱7,146,663	₱6,506,049

See accompanying Notes to Financial Statements.



MICARA ESTATES-TANZA HOMEOWNERS' ASSOCIATION, INC.
(A Non-Stock, Not-for-Profit Organization)

STATEMENTS OF INCOME AND MEMBERS' EQUITY

For the Years Ended December 31

	2021	2020
REVENUE		
Association dues (Note 10)	₱12,195,587	₱8,003,707
Interest and other fees (Note 10)	96,371	109,336
	₱12,291,958	₱8,113,043
EXPENSES		
Cost of services (Note 11)	₱8,629,308	₱4,559,474
Administrative expenses (Note 11)	392,149	277,414
	₱9,021,457	₱4,836,888
EXCESS OF REVENUE OVER EXPENSES	₱3,270,501	₱3,276,155
MEMBERS' EQUITY AT BEGINNING OF YEAR	2,362,978	(913,177)
MEMBERS' EQUITY AT END OF YEAR	₱5,633,479	₱2,362,978

See accompanying Notes to Financial Statements.



MICARA ESTATES-TANZA HOMEOWNERS' ASSOCIATION, INC.
(A Non-Stock, Not-for-Profit Organization)

STATEMENTS OF CASH FLOWS

For the Years Ended December 31

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses	₱3,270,501	₱3,276,155
Adjustments for interest income (Note 5)	(6,365)	(5,228)
Operating income before working capital changes	₱3,264,136	₱3,270,927
Increase in miscellaneous deposits	(10,000)	(65,710)
Decrease in accounts and other payables	(2,629,887)	(956,550)
Net cash generated by operations	₱624,249	₱2,248,667
Interest received	6,365	5,228
Net cash generated by operating activities	₱630,614	₱2,253,895
NET INCREASE IN CASH	₱630,614	₱2,253,895
CASH AT BEGINNING OF YEAR	6,440,339	4,186,444
CASH AT END OF YEAR (Note 5)	₱7,070,953	₱6,440,339

See accompanying Notes to Financial Statements.

MICARA ESTATES-TANZA HOMEOWNERS' ASSOCIATION, INC.

(A Non-Stock, Not-for-Profit Organization)

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

1. General Information

Micara Estates-Tanza Homeowners' Association, Inc. (the Association) is a non-stock, not-for-profit organization, organized under the laws of the Philippines for the purpose of promoting and advancing the best interest, general welfare and prosperity, as well as safeguarding the well-being of its homeowners. The Association was registered with the Housing and Land Use Regulatory Board (HLURB) on November 4, 2015 with HLURB registration No. STR-1053. The Association promulgates its policies and regulations through a governing body known as the Board of Trustees (BOT).

As a non-stock, not-for-profit organization, the Association is exempt from payment of income tax under Section 30(e) of the National Internal Revenue Code (the Code). However, income of whatever kind and character of the Association from any properties, real or personal, shall be subjected to income tax as provided for under the Code.

The Association's registered office address, which is also its principal place of business, is located at Micara Plaza, Micara Estates - Tanza, Antero Soriano, Brgy. Sahud Ulan, Tanza, Cavite.

Approval of the Financial Statements

The accompanying financial statements of the Association for the years ended December 31, 2021 and 2020 were authorized for issue by the Association's BOT on April 13, 2022.

2. Basis of Preparation

Basis of Financial Statements Preparation

The Association's financial statements have been prepared under the historical cost method and are presented in Philippine Peso (₱), the Association's functional currency. All amounts are rounded off to the nearest peso amount unless otherwise indicated.

The financial statements provide comparative information in respect of the previous period. While there are recent signs of increased market activity with the easing of quarantine measures in key areas in the Philippines, management believes that the impact of COVID-19 situation remains fluid and evolving and the pace of recovery remains gradual.

Statement of Compliance

The financial statements of the Association have been prepared in accordance with Philippine Financial Reporting Standard for Small Entities (PFRS for SEs) as approved by the Financial Reporting Standards Council, Board of Accountancy, and SEC. As allowed by Section 3.24, *Financial Statement Presentation*, the Association presented only a statement of income and members' equity since the Association has no items of other comprehensive income in any of the periods for which the financial statements are presented. The "Excess of revenue over expenses" is the Association's "Net profit or loss".

The financial statements have been prepared using the measurement bases specified by PFRS for SEs for each type of assets, liabilities, income, and expenses. The measurement bases are more fully described in accounting policies in the succeeding pages.

The preparation of financial statements in accordance with PFRS for SEs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Association's accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimations are significant to the financial statements are disclosed in Note 3.

PFRS for SEs

Small entities are defined as entities that:

- Do not have public accountability; and
- Publish general purpose financial statements for external users.

An entity has public accountability if:

- It files, or it is in the process of filing, its financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instruments in a public market; or
- It holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses. Most banks, credit unions, insurance brokers or dealers, mutual funds and investment banks would meet this second criterion.

Small entities are those that meet all the following criteria:

- Have total assets of between ₱3 million and ₱100 million or total liabilities of between ₱3 million and ₱100 million. If the entity is a parent company, the said amounts shall be based on the consolidated figures;
- Are not required to file financial statements under Part II of SRC Rule 68;
- Are not in the process of filing their financial statements for the purpose of issuing any class of instruments in a public market; and
- Are not holders of secondary licenses issued by regulatory agencies.

3. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of the Association's financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Current and Noncurrent Classification

The Association presents assets and liabilities in statements of financial position based on current and noncurrent classification. An asset is current when it is:

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

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as noncurrent.

Deferred tax assets and liabilities, if any, are classified as noncurrent assets and liabilities.

Basic Financial Assets

Financial assets are classified as either "basic financial assets" or "other financial assets". The Association recognizes basic and other financial assets only when the entity becomes a party to the contractual provisions of the instrument. Basic financial instruments are measured at their transaction price, including transactions costs. Other financial instruments are initially measured at fair value, which is usually their transaction price. This excludes transaction costs. Subsequent to initial recognition, basic financial assets are measured at amortized cost using effective interest rate. All other financial instruments are measured at fair value at reporting date except for equity instruments (and related contracts that would result in delivery of such instruments) that are not publicly traded and whose fair value cannot be reliably determined which is measured at cost less impairment.

As of December 31, 2021 and 2020, the Association's basic financial assets pertains to statements of financial position captions "Cash" and "Miscellaneous deposits". The Association has no other financial assets as of December 31, 2021 and 2020.

Cash

Cash is presented in the statement of financial position at face amount. This includes cash on hand and in bank. Cash in bank earns interest at the prevailing bank deposit rates.

Amortized Cost

The amortized cost of a financial instrument at each reporting date is the net of the following amounts:

- The amount at which the financial instrument is measured at initial recognition;
- Minus any repayments of the principal;
- Plus or minus the cumulative amortization using the effective interest method of any difference between the amount at initial recognition and the maturity amount; and
- Minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Effective Interest Method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating finance income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts, through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Impairment of Financial Instruments Measured at Amortized Cost

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

The Association assesses impairment either individually or grouped on the basis of similar credit risk characteristics.

Objective evidence of impairment could include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The creditor, for economic or legal reasons relating to the debtor's financial difficulty, granting to the debtor a concession that the creditor would not otherwise consider;
- It has become probable that the debtor will enter bankruptcy or other financial reorganization; and
- Observable data indicating that there has been a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, even though the decrease cannot yet be identified with the individual financial assets in the group, such as adverse national or local economic conditions or adverse changes in industry conditions.

Other factors may also be evidence of impairment, including significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates.

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Derecognition of Financial Assets

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

Impairment of Nonfinancial Assets

At each reporting date, the Association assesses whether there is any indication that any of its assets other than basic financial assets, may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Association estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized as an expense.

Nonfinancial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. When an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as an income.

Financial Liabilities

The Association shall recognize a financial liability only when the Association becomes a party to the contractual provisions of the instrument. Financial liabilities are initially recognized at the transaction price including transaction costs. Financial liabilities are classified either at FVTPL or at amortized cost.

Financial Liabilities at Amortized Cost

Financial liabilities are subsequently measured at amortized cost using the effective interest method, with finance cost recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating finance cost over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

As of December 31, 2021 and 2020, the Association's financial liabilities at amortized cost pertain to the "Accounts and other payables" account in the statements of financial position.

Derecognition of Financial Liabilities

The Association derecognizes financial liabilities when, and only when, the Association's obligations are discharged, cancelled or expired.

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

Classification as Debt or Equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements.

Related Party Disclosures

A related party is a person or entity that is related to the Association that is preparing its financial statements. A person or a close member of that person's family is related to Association if that person has control or joint control over the Association, has significant influence over the Association, or is a member of the key management personnel of the Association or of a parent of the Association.

An entity is related to the Association if any of the following conditions applies:

- The entity and the Association are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- Both entities are joint ventures of the same third party.
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
- The entity is controlled or jointly controlled by a person identified above.
- A person identified above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- Management entity providing key management personnel services to a reporting entity.

Close members of the family of a person are those family members, who may be expected to influence, or be influenced by, that person in their dealings with the Company and include that person's children and spouse or domestic partner; children of that person's spouse or domestic partner; and dependents of that person or that person's spouse or domestic partner.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

Members' Equity

Members' equity represents the net cumulative balance of excess or deficiency of revenue over expenses.

Revenue Recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Association and the revenue can be measured reliably. Revenue is measured by reference to the fair value of the consideration received or receivable excluding discounts, returns and sales taxes. Revenue is recognized at a point in time. The following specific recognition criteria must also be met before revenue is recognized:

Association Dues

The Association's dues are computed based on the respective rate per square meter of area occupied by each member as provided by the BOT. Association dues are recorded as revenue, net of discounts, when collected by the Association or its collecting agent.

Interest Income

Interest income is recognized as it accrues, taking into account the effective yield of the assets.

Other Fees

Income from other sources, if any, is recognized when earned.

Expenses

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

Expenses are recognized in the statements of income:

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

Taxes

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 authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date. As of December 31, 2021 and 2020, the Association's revenues are tax exempt.

Provisions

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

Contingencies

Contingent liabilities are not recognized in the financial statements. These 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

The Association identifies subsequent events as events that occurred after the reporting period but before the date when the financial statements were authorized for issue. Any subsequent events that provide additional information about the Association's financial position at the end of the reporting period are reflected in the financial statements. Events that are not adjusting events are disclosed in the notes to the financial statements when material.

4. Significant Accounting Estimates and Assumptions

The preparation of the accompanying financial statements in compliance with PFRS for SEs requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The judgments, estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Future events may occur which can cause the assumptions used in arriving at those judgments and estimates to change.

The effects of any changes will be reflected in the financial statements as they become reasonably determinable. Actual results could differ from such judgments and estimates. Accounting 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.

Impairment of nonfinancial assets

The Association assesses the value of its nonfinancial assets which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, and require the Association to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Association to conclude that its nonfinancial assets are impaired. Any resulting impairment loss could have a material adverse impact on the Association's financial condition and results of operations.

The preparation of the estimated future cash flows involves significant judgment and estimations. While the Association believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Association's assessment of recoverable values and may lead to future additional impairment charges. An impairment review is performed when events or changes in circumstances indicate that the carrying value may not be recoverable. Management has determined that there are no events or changes in circumstances in 2021 and 2020 that may indicate that the carrying value of nonfinancial assets may not be recoverable.

5. Cash

Cash consists of on hand and in bank amounting to **₱7,070,953** and **₱6,440,339** as of December 31, 2021 and 2020, respectively. Cash in bank earns interest at the prevailing bank deposit rates and are immediately available for use in the Association's current operations. This represents account in a reputable local bank. The Association reconciles the books and bank balances regularly as part of its cash monitoring and internal control measures.

Interest income earned, net of final tax, amounted to **₱6,365** and **₱5,228** in 2021 and 2020, respectively (see Note 10).

6. Miscellaneous Deposits

This account pertains to meter deposits to a utility company. Miscellaneous deposits amounted to **₱75,710** and **₱65,710** as of December 31, 2021 and 2020, respectively.

7. Accounts and Other Payables

This account consists of:

	2021	2020
Accrued expenses	₱1,513,184	₱625,365
Payable to project developer	—	3,517,706
	₱1,513,184	₱4,143,071

Accrued expenses include unpaid billings related to security agency, repairs and maintenance, electricity, water and professional fee.

Accrued expenses are noninterest bearing and are due to be settled within one (1) year.

Payable to project developer pertains to expenses incurred by the Association that was paid in advance by the project developer, which is noninterest bearing and are due and demandable.

8. General Fund

The Association being a non-stock, non-profit organization is not maintaining equity among its members or any of its officers. Cumulative fund balances include all current and prior period results as disclosed in the statements of income and members' equity. It is used for general current needs and in meeting the obligations arising from general operations. It includes all net assets with uses not restricted by members, by BOT or by law.

Assessment for expenses and capital expenditures

As provided for in the Association's By-Laws, each member is liable for the common expenses of the Association. Accordingly, each member is assessed for expenses related to the administration, maintenance, operation, repair, restoration or replacement of the common areas and other portions of the property managed by the Association, as well as taxes and other expenses on such areas and property. The assessments are in proportion to each member's proprietary interest or participation in the Association.

General Fund Management Objectives, Policies and Procedures

The primary objective of the Association's general fund management is to ensure that it maintains a strong fund balance and healthy ratios in order to support its operations and provide high quality of services to the homeowners. The Association manages its general fund balance and makes adjustments to in light of changes in economic conditions. The Association, as a non-stock, not-for-profit organization, is not subject to externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing the general fund during the years ended December 31, 2021 and 2020.

9. Taxes

As a non-stock, not-for-profit organization, the Association is exempt from payment of income tax under Section 30(e) of the Code. However, income of whatever kind and character of the Association from any properties, real or personal, shall be subjected to income tax as provided for under the Code.

Based on the exception cited in Section 18 of RA No. 9904, the Association is still in process of completing necessary documents before submitting the tax exemption application with the BIR.

Tax Reform for Acceleration and Inclusion (TRAIN) Law

Section 34 (Y) of Republic Act (RA) No. 10963, or the "Tax Reform for Acceleration and Inclusion (TRAIN)" that took effect in January 1, 2018 states that Association dues, membership fees, and other assessments and charges collected on purely reimbursement basis by the homeowners' associations and condominium corporations established under RA No. 9904 (Magna Carta for Homeowners and Homeowners' Association) and RA No. 4726 (The Condominium Act), respectively, shall be exempt from VAT.

10. Revenue

Revenue accounts are recognized to the extent that it is probable that the economic benefits will flow to the Association and the amount can be reliably measured. This includes association dues and interest income from bank accounts, as stated in the Association's Articles and By-Laws.

Association dues

This account refers to association dues collected from homeowners. Homeowners are required to pay association dues amounting to ₱500 to ₱600 per month depending on the type of the units acquired by the Homeowners. Association dues collected in 2021 and 2020 amounted to **₱12,195,587** and **₱8,003,707**, respectively.

Interest and other fees

Breakdown of interest and other fees account of the Association follows:

	2021	2020
Interest from cash in bank (Note 5)	₱6,365	₱5,228
Other fees		
Shuttle service collection	53,765	53,308
Car stickers	36,241	50,800
	₱96,371	₱109,336

Proceeds from other fees are used by the Association in the production of car stickers, shuttle operations (service tickets and maintenance) and Village maintenance.

11. Expenses

Cost of services

Cost of services includes direct and indirect costs incurred in order to provide security and maintain cleanliness and orderliness of the Village. This consists of:

	2021	2020
Security services	₱3,416,386	₱2,028,012
Garbage collection	2,315,250	1,007,550
Janitorial	1,301,402	856,387
Grass cutting	665,008	—
Collection fee	505,043	303,708
Power and light	419,529	280,285
Repairs and maintenance	4,890	83,532
Water	1,800	—
	₱8,629,308	₱4,559,474

Collection fee pertains to the amount charged by the collecting agent which is 5% of the amount collected.

Administrative expenses

This account consists of:

	2021	2020
Transportation	₱220,778	₱144,300
Gas and oil	101,568	94,473
Printing	45,900	20,011
Professional fee	16,800	16,800
Communication	5,280	1,180
Taxes and licenses	500	500
Representation	423	—
Miscellaneous	900	150
	₱392,149	₱277,414

12. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with, the Association; (b) associates; and (c) individuals owning, directly or indirectly, an interest in the voting power of the Association that gives them significant influence over the Association and close members of the family of any such individual. Transactions between related parties are based on terms similar to those offered to nonrelated parties.

Compensation of Key Management Personnel

Key management includes the members of the BOT, all members of management and other Association officers. There are no other short-term or long-term employee benefits payments and loans to or loans from members of the BOT and officials of the Association.

Disclosure on Related Party Transactions Form (BIR Form 1709)

The Association is not covered by the requirements and procedures for related party transactions provided under Revenue Regulations (RR) 34-2021. As such, the Association is not required to submit BIR Form 1709, Transfer Pricing Documentation (TPD) and other supporting documents.

13. Financial Instruments Information

The Association's financial instruments as of December 31 follow:

	2021	2020
Financial Assets:		
<i>Basic financial assets</i>		
Cash	₱7,070,953	₱6,440,339
Miscellaneous deposits	75,710	65,710
Financial Liabilities:		
<i>Financial liabilities at amortized cost</i>		
Accounts and other payables	₱1,513,184	₱4,143,071

14. Events after Balance Sheet Date

There were no events after the reporting date that needs to be disclosed for the years ended December 31, 2021 and 2020.

15. Commitment and Contingencies

There were no significant commitments and contingencies involving the Association as of December 31, 2021 and 2020.

16. Going Concern

The accompanying financial statements have been prepared on a going concern basis, which contemplate the realization of assets and settlement of liabilities in the normal course of business. There were no going concern issues that need to be disclosed involving the Association as of December 31, 2021.

17. Other Matters

The declaration of COVID-19 by the World Health Organization as a global pandemic along with the move to contain the outbreak of COVID-19 made by the national government through a declaration of nationwide state of calamity and implementation of community quarantine measures throughout the country starting March 16, 2020 have caused disruptions in the Association's operations. While there are recent signs of increased market activity with the easing of quarantine measures in key areas in the Philippines, management believes that the impact of COVID-19 situation remains fluid and evolving and the pace of recovery remains gradual.

When the quarantine was imposed, the Association mobilized its business continuity plans (BCP) to mitigate the impact to the Association's operations. The Association observed the strict guidelines set by the national and local government to support its effort to stem the spread of COVID 19 virus. To assist the homeowners, the Association provided concession on payment of monthly HOA dues through extension of payment deadlines. In addition, the Association, through its partnership with the collecting agents, implemented various payment facilities (including online payment facilities) to ensure that face-to-face interaction are kept to a minimum.

The Association is continuously evaluating potential impact of the pandemic to the Association's financial assets including assumptions in the calculation of doubtful accounts and impairment testing for other non-financial assets.

18. Supplementary Information Required Under Revenue Regulations 15-2010

On November 15, 2010, the BIR issued Revenue Regulations (RR) No.15-2010 which prescribes additional procedural and/or documentary requirements in connection with the preparation and submission of financial statements accompanying the tax returns. Under the said RR, companies are required to disclose, in addition to the disclosures mandated under PFRSs and such other standards and/or conventions that may heretofore be adopted, in the Notes to the Financial Statements, information on taxes, duties and license fees paid or accrued during the taxable year. The Association reported and paid the following taxes for the year ended December 31, 2021:

Value-added Tax (VAT)

Under RA No. 10963, or the TRAIN Law that took effect in January 1, 2018, the collection of the Association's membership dues and other assessments shall be exempt from VAT since these are collected on purely reimbursement basis.

Other Taxes and Licenses for 2021

This includes all other taxes, local and national, including licenses and permit fees included as "Taxes and Licenses" account under the "Administrative Expenses" caption in the statement of income and member's equity. Details of taxes and licenses in 2021 follow:

National	
Annual Registration (BIR)	₱500

Landed Costs, Customs Duties and Tariffs

The Association has no importation transactions for the year ended December 31, 2021.

Excise Tax

The Association has no purchases of products that were subject to excise tax for the year ended December 31, 2021.

Documentary Stamp Taxes

The Association has not entered in any transactions subject to documentary stamp tax for the year ended December 31, 2021.

Withholding Taxes

The Association has no transaction subject to expanded withholding tax during the year.

Tax Contingencies

The Association has no pending tax assessment or any tax case, litigation and/ or prosecution in courts or bodies outside the BIR as of December 31, 2021.

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