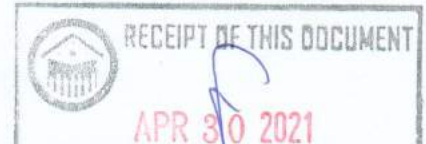


# COVER SHEET

for  
AUDITED FINANCIAL STATEMENTS



SEC Registration Number

DOES NOT PERTAIN TO THE APPROVAL OF ITS CONTENTS.

**COMPANY NAME**

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**PRINCIPAL OFFICE (No./Street/Barangay/City/Town/Province)**

V	I	L	L	A	G	E		A	D	M	I	N	I	S	T	R	A	T	I	O	N		O	F	F	I	C	E	,
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Form Type

A	A	F	S
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Department requiring the report

N	/	A
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Secondary License Type, if Applicable

N	/	A
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**COMPANY INFORMATION**

Company's Email Address

village.admin@nhoai.com.ph

Company's Telephone Number/s

(02) 7508-9912

Mobile Number

+639178537620

No. of Stockholders

N/A

Annual Meeting (Month/Day)

2<sup>nd</sup> Sat. of October

Fiscal Year (Month/Day)

12/31

**CONTACT PERSON INFORMATION**

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person

Victor J. Samson Jr.

Email Address

victor.samson@me.com

Telephone Number/s

(047) 300-6872

Mobile Number

+639178099017

**CONTACT PERSON'S ADDRESS**

#27 Caimito Drive, Mango Grove, Anvaya Cove, Brgy. Sabang, Morong, Bataan - 2108

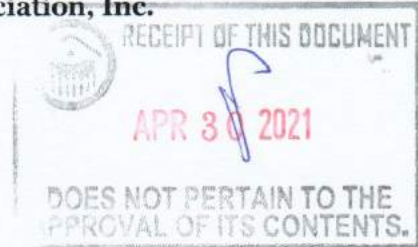
**Note 1:** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

**2:** All boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



## Independent Auditor's Report

To the Board of Trustees of  
**The Neighborhoods at Anvaya Cove Homeowners' Association, Inc.**  
(A non-stock, non-profit organization)  
Administrative Office, Anvaya Cove  
Morong, Bataan



## Report on the Audits of the Financial Statements

### Our Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Neighborhoods at Anvaya Cove Homeowners' Association, Inc. (the "Association") as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards for Small Entities (PFRS for SE).

### What we have audited

The financial statements of the Association comprise:

- the statements of financial position as at December 31, 2020 and 2019;
- the statements of revenue over expenses and members' equity for the years ended December 31, 2020 and 2019;
- the statements of cash flows for the years ended December 31, 2020 and 2019; and
- the notes to the financial statements, which include a summary of significant accounting policies.

### Basis for Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSA). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

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.

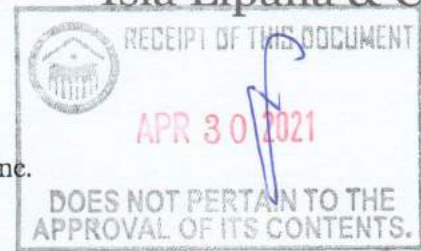
### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS for SE, 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.

Isla Lipana & Co., 29th Floor, Philamlife Tower, 8767 Paseo de Roxas, 1226 Makati City, Philippines  
T: +63 (2) 8845 2728, F: +63 (2) 8845 2806, www.pwc.com/ph



Isla Lipana & Co.



Independent Auditor's Report  
To the Board of Trustees of  
The Neighborhoods at Anvaya Cove Homeowners' Association, Inc.  
(A non-stock, non-profit organization)  
Page 2

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 PSA 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 PSA, 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.



Isla Lipana & Co.



Independent Auditor's Report  
To the Board of Trustees of  
The Neighborhoods at Anvaya Cove Homeowners' Association, Inc.  
(A non-stock, non-profit organization)  
Page 3

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 Bureau of Internal Revenue Requirement

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 BIR Revenue Regulations Nos. 34-2020 and 15-2010 in Note 13 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 supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Isla Lipana & Co.

Ma. Lois M. Gregorio-Abad  
Partner  
CPA Cert. No. 0104589  
P.T.R. No. 0028729; issued on January 5, 2021 at Makati City  
SEC A.N. (individual) as general auditors 1573-AR-1, Category A; effective until July 22, 2022  
SEC A.N. (firm) as general auditors 0142-SEC, Category A;  
valid to audit 2020 to 2024 financial statements  
T.I.N. 212-206-626  
BIR A.N. 08-000745-129-2019; issued on January 14, 2019; effective until January 13, 2022  
BOA/PRC Reg. No. 0142, effective until January 21, 2023

Makati City  
April 26, 2021

BUREAU OF INTERNAL REVENUE  
40020-BALANGA CITY BATAAN

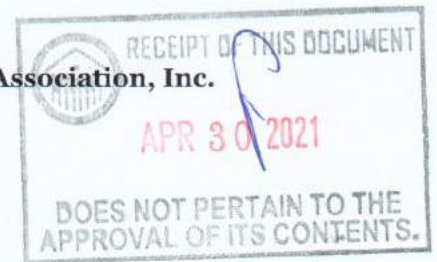
APR 30 2021

CAMILLE P. SALONGA  
REVENUE OFFICER



**The Neighborhoods at Anvaya Cove Homeowners' Association, Inc.**  
(A non-stock, non-profit organization)

Statements of Financial Position  
As at December 31, 2020 and 2019  
(All amounts in Philippine Peso)



	Notes	2020	2019
<b><u>ASSETS</u></b>			
<b>Current assets</b>			
Cash	2	34,869,377	32,014,425
Receivables	3	13,274,487	11,363,286
Prepayments and other current assets	4	1,027,419	1,066,810
Total current assets		49,171,283	44,444,521
<b>Non-current asset</b>			
Property and equipment, net	5	869,574	1,057,200
<b>Total assets</b>		<b>50,040,857</b>	<b>45,501,721</b>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>Current liabilities</b>			
Accounts payable and other current liabilities	6	13,185,841	6,917,319
Construction bonds	7	14,824,158	17,874,158
Total current liabilities		28,009,999	24,791,477
<b>Non-current liabilities</b>			
Provisions	9	5,231,002	5,231,002
Funds held in trust	11	5,254,302	5,254,302
Total non-current liabilities		10,485,304	10,485,304
Total liabilities		38,495,303	35,276,781
<b>Members' equity</b>			
Excess of revenues over expenses		11,545,554	10,224,940
<b>Total liabilities and members' equity</b>		<b>50,040,857</b>	<b>45,501,721</b>

The notes on pages 1 to 10 are integral part of these financial statements.

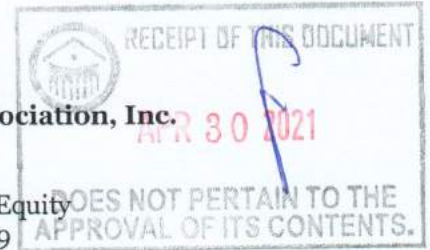
BUREAU OF INTERNAL REVENUE  
40026 - BALANGA CITY BATAAN

APR 30 2021

CAMILLE P. SALONGA  
REVENUE OFFICER

**The Neighborhoods at Anvaya Cove Homeowners' Association, Inc.**  
(A non-stock, non-profit organization)

Statements of Revenue over Expenses and Members' Equity  
For the years ended December 31, 2020 and 2019  
(All amounts in Philippine Peso)



	Notes	2020	2019
<b>Revenue</b>			
Association dues, net	8	45,063,821	40,287,548
Reversal of provisions	9	-	8,093,885
Interest income	2	104,898	127,962
Other income		1,995,223	4,799,733
		47,163,942	53,309,128
<b>Expenses</b>			
Ground maintenance		(12,963,440)	(11,325,037)
Security services		(11,236,661)	(10,275,011)
Share in infrastructure services		(8,822,873)	(8,335,674)
Service fees		(6,054,410)	(5,826,338)
Taxes and licenses		(3,166,996)	(1,811,114)
Utilities		(1,481,955)	(1,417,371)
Depreciation	5	(288,251)	(309,100)
Pest control		(283,463)	(169,334)
Postal and Communication		(172,907)	(228,931)
Professional fees		(169,217)	(374,319)
Insurance		(118,465)	(117,752)
Repairs and maintenance		(106,716)	(154,877)
Office supplies		(105,671)	(73,233)
Write-off of intangible asset		-	(338,195)
Other expenses		(832,399)	(1,082,306)
Total expenses		(45,803,424)	(41,838,592)
<b>Excess of revenue over expenses before income tax</b>		1,360,518	11,470,536
Income tax expense	10	(39,904)	(409,463)
<b>Excess of revenue over expenses</b>		1,320,614	11,061,073
Members' equity as at January 1		10,224,940	(836,133)
<b>Members' equity as at December 31</b>		11,545,554	10,224,940

The notes on pages 1 to 10 are integral part of these financial statements.

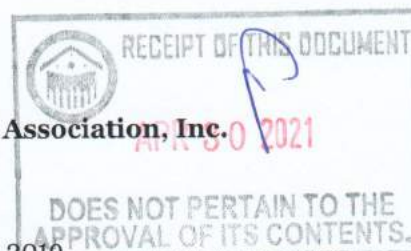
BUREAU OF INTERNAL REVENUE  
80020-BALANGA CITY BATAAN

APR 30 2021

CAMILLE P. SALONGA  
REVENUE OFFICER

**The Neighborhoods at Anvaya Cove Homeowners' Association, Inc.**  
(A non-stock, non-profit organization)

Statements of Cash Flows  
For the years ended December 31, 2020 and 2019  
(All amounts in Philippine Peso)

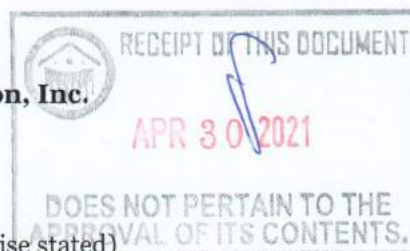


	Notes	2020	2019
<b>Cash flows from operating activities</b>			
Excess of revenue over expenses before income tax		1,360,518	11,470,536
Adjustments for:			
Depreciation	5	288,251	309,100
Interest income	2	(104,898)	(127,962)
Write-off of intangible asset		-	338,195
Gain on investment in trust fund		-	(752,118)
Reversal of provisions	9	-	(8,093,885)
Operating gain before working capital changes		1,543,871	3,143,866
Changes in working capital:			
Receivables		(1,911,201)	667,164
Prepayments and other current assets		(513)	152,846
Account payable and other current liabilities		6,268,522	(6,999,002)
Construction bonds		(3,050,000)	3,760,000
Funds held in trust		-	702,970
Cash generated from operations		2,850,679	1,427,844
Interest received		104,898	127,962
Net cash provided by operating activities		2,955,577	1,555,806
<b>Cash flows from investing activities</b>			
Proceeds from investment in trust fund		-	2,000,000
Acquisitions of property and equipment	5	(100,625)	(1,304,000)
Net cash provided by (used in) investing activities		(100,625)	696,000
<b>Net increase in cash</b>		2,854,952	2,251,806
Cash at January 1	2	32,014,425	29,762,619
<b>Cash at December 31</b>		34,869,377	32,014,425

The notes on pages 1 to 10 are integral part of these financial statements.

BUREAU OF INTERNAL REVENUE  
60020-BALANGA CITY BATANGAS  
APR 30 2021  
CAMILLE P. SALONGA  
REVENUE OFFICER

**The Neighborhoods at Anvaya Cove Homeowners' Association, Inc.**  
(A non-stock, non-profit organization)



Notes to the Financial Statements

As at and for the years ended December 31, 2020 and 2019

(In the notes, all amounts are shown in Philippine Peso unless otherwise stated)

**Note 1 - General information**

The Neighborhoods at Anvaya Cove Homeowners' Association, Inc. (the "Association") was incorporated and is domiciled in the Philippines as a non-stock, non-profit association organized to promote and advance the best interests, general welfare and prosperity, as well as the well-being of the lot-owners, homeowners and long-term lessees of The Neighborhoods at Anvaya Cove. The Association was registered with the Housing and Land Use Regulatory Board (HLURB) on December 24, 2008 with Registration Number 18047 and has started operations on April 1, 2009.

The Association promulgates its policies and regulations through a governing body known as the Board of Trustees (BoT), while its accounting and administrative functions are handled by the Ayala Property Management Association (APMC).

The Association's registered address, which is also the principal place of business, is located at the Administration Office, Anvaya Cove, Morong, Bataan.

The financial statements have been approved for issuance by the Association's Board of Trustees on April 26, 2021.

**Note 2 - Cash**

The account as at December 31 consists of:

	2020	2019
Cash in banks	34,849,377	31,994,425
Cash on hand	20,000	20,000
	34,869,377	32,014,425

Cash in banks earn annual interest at the prevailing bank deposit rates. Interest income earned for the year ended December 31, 2020 amounted to P104,898 (2019 - P127,962).

**Note 3 - Receivables**

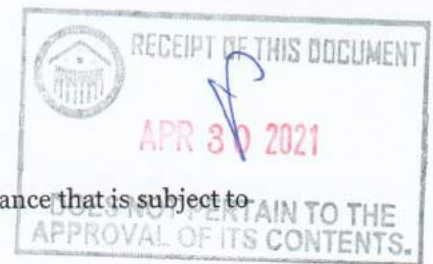
The account as at December 31 consists of:

	2020	2019
Receivables from members	13,080,574	11,307,203
Receivables from developers	193,913	36,083
Cash advance to property manager	-	20,000
	13,274,487	11,363,286

Receivables from members pertain to uncollected association dues as of reporting date. These are non-interest bearing and are collectible within the next 12 months.

Receivables from developers pertain to the association dues of lots which have yet to be turned over to the respective owners. The Association's developers are Ayala Land, Inc. (ALI) and Subic Bay Development & Industrial Estate Corp. (SUDECO).





Cash advance to property manager represents non-interest bearing cash advance that is subject to liquidation.

**Note 4 - Prepayment and other current assets**

The account as at December 31 consists of:

	2020	2019
Creditable withholding tax	954,437	993,828
Prepaid taxes	72,982	72,982
	1,027,419	1,066,810

**Note 5 - Property and equipment, net**

Details and movements of this account as at and for the years ended December 31 are as follows:

	Transportation equipment	Office equipment	Total
<b>Cost</b>			
January 1, 2019	363,000	483,595	846,595
Additions	1,304,000	-	1,304,000
December 31, 2019	1,667,000	483,595	2,150,595
Additions	-	100,625	100,625
December 31, 2020	1,667,000	584,220	2,251,220
<b>Accumulated depreciation</b>			
January 1, 2019	326,700	457,595	784,295
Depreciation	297,100	12,000	309,100
December 31, 2019	623,800	469,595	1,093,395
Depreciation	260,800	27,451	288,251
December 31, 2020	884,600	497,046	1,381,646
<b>Net book values</b>			
December 31, 2019	1,043,200	14,000	1,057,200
December 31, 2020	782,400	87,174	869,574

**Note 6 - Accounts payable and other current liabilities**

The account as at December 31 consists of:

	2020	2019
Accounts payable	5,169,753	4,028,702
Accrued expenses	6,177,078	688,509
Advances from developers	1,325,484	1,813,699
Advances from members	237,201	237,201
Payable to government agency	276,325	149,208
	13,185,841	6,917,319

Accounts payable mainly consist of unpaid transactions with service providers. These are non-interest bearing and are normally settled within 12 months after the reporting period.

Advances from the developers pertain to infrastructure expenses covering security services, administrative fees and repairs and maintenance paid by ALI on behalf of the Association for the development of the whole community.

Accrued expenses represent accruals for security services, maintenance and pest control services, and professional and administrative expenses.

Advances from members pertain to advance payments of association dues which will be applied to subsequent billings.

**Note 7 - Construction bonds**

Details and movements of this account as at and for the years ended December 31 are as follows:

	2020	2019
As at January 1	17,874,158	14,114,158
Additions	1,450,000	7,420,000
Refunds	(4,500,000)	(3,660,000)
As at December 31	14,824,158	17,874,158

Construction bonds refer to the amounts collected by the Association from the members as part of the requirements for the issuance of permit to construct, repair or remodel the units. These are non-interest bearing and refundable upon the completion of the project which is within 12 months from the payment date.

**Note 8 - Association dues**

As provided for in the Association's by-laws, each member has the responsibility for the common expenses of the Association. Accordingly, each member is assessed based on their proprietary interest or participation in the Association for the expenses related to the administration, insurance, maintenance, operation, repair, restoration or replacement of common areas and other portions of the property managed by the Association and their related taxes and other expenses and for the cost of the property and equipment acquired and other capital expenditures of the Association.

In 2020, the Association charged P76.60 (2019 - P76.60) per square meter. Total square meters managed by the Association in 2020 and 2019 is 601,021 and 539,843, respectively. The total membership dues during the year amounted to P46,123,590, gross of discounts amounting to P1,059,769 (2019 - P41,351,974, discount of P1,064,426).

**Note 9 - Provisions**

Provisions pertain to estimated losses on third party claims. The movements of the account for the years ended December 31 are as follows:

	2020	2019
As at January 1	5,231,002	13,324,887
Reversal	-	(8,093,885)
As at December 31	5,231,002	5,231,002

**Note 10 - Income taxes**

The provision for current income tax represents minimum corporate income tax (MCIT) for the year ended December 31, 2020 amounting to P39,904 (2019 - P61,568).

The details of the account for the years ended December 31 are as follows:

	2020	2019
Current	39,904	61,568
Deferred	-	347,895
	39,904	409,463

As provided under the Revenue Memorandum Circular No. 9-2013 issued by the Bureau of Internal Revenue (BIR) on January 30, 2013, the gross receipts of the Homeowners' Associations including association dues, membership fees, and other assessments and charges are subject to value-added tax (VAT), income tax and income payments made to it are subject to withholding taxes under existing regulations. Based on the exemption cited in Section 18 of RA No. 9904, otherwise known as the *Magna Carta for Homeowners and Homeowners' Associations*, the Association submitted a tax exemption application with the BIR on March 8, 2013. The application was approved by the BIR last January 20, 2020.

Realization of the future tax benefits related to the deferred income tax assets is dependent on many factors, including the Association's ability to generate taxable income during the periods in which those temporary differences are expected to be recovered. The Association has considered these factors in reaching its conclusion not to recognize deferred income tax assets in 2020 and 2019.

Details of MCIT, which can be claimed as deduction against normal income tax due for the next three (3) succeeding taxable years, are as follows:

Year of incurrence	Year of expiration	2020	2019
2017	2020	-	31,941
2019	2022	61,568	61,568
2020	2023	39,904	-
<b>Net balance</b>		<b>101,472</b>	<b>93,509</b>

The details of deferred income tax assets related to NOLCO for the years ended December 31 which could be carried over as deductible expense from taxable income for three (3) consecutive years following the year of incurrence are as follows:

Year of Incurrence	Year of Expiration	2020	2019
2016	2019	-	1,894,626
2018	2021	1,321,892	2,091,702
		1,321,892	3,986,328
Applied during the year		(732,648)	(2,664,436)
		589,244	1,321,892
Tax rate		30%	30%
		176,773	396,568

As at December 31, 2020 and 2019, the Association did not recognize deferred income tax on NOLCO, MCIT and advances from members amounting to P349,405 (2019 - P561,237), since the Association will not be subjected to income tax starting January 1, 2020 as approved by the BIR.

The reconciliation of the income tax expense computed at the statutory income tax rate and the actual income tax expense as shown in the statements of income for the years ended December 31 follows:

	2020	2019
Statutory income tax at 30%	408,155	3,441,161
Reduction in income taxes resulting from the effects of:		
Nondeductible expense	-	101,459
MCIT	39,904	61,568
Movement in unrecognized deferred tax asset	(188,325)	(728,170)
Nontaxable income	(219,830)	(2,466,555)
	39,904	409,463

## **Note 11 - Funds held in trust**

Funds held in trust refer to annual contribution to Anvaya Environmental Foundation, Inc. amounting to P1,200 per homeowner. This funding is available for environmental purposes and property activities approved by the BoT. As at December 31, 2020 and 2019, funds held in trust amounted to P5,254,302.

## **Note 12 - Significant accounting policies**

### **12.1 Basis of preparation**

The accompanying financial statements have been prepared in accordance with the PFRS for Small Entities (PFRS for SE) as approved by the Financial Reporting Standards Council, Board of Accountancy, and Securities and Exchange Commission (SEC). They have been prepared on a historical cost basis.

### **12.2 Financial instruments**

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity. A financial instrument is recognized when the entity becomes a party to its contractual provisions. The Association classifies its financial instruments into the following categories: (a) basic financial instruments; and (b) complex financial instruments. The Association has no complex financial instruments.

#### **Basic financial instruments**

The Association's basic financial instruments consist of cash, receivables, accounts payable and other current liabilities (excluding payable to government agencies) and construction bonds.

##### *(a) Initial measurement*

On initial recognition, a basic financial instrument is measured at transaction price (including transaction costs), unless the arrangement is in effect a financing transaction. In this case, it is measured at present value of the future payment discounted using a market rate of interest for a similar debt instrument.

##### *(b) Subsequent measurement*

Basic financial instruments are subsequently measured at amortized cost using the effective interest method.

##### *(c) Impairment of financial instruments measured at amortized cost*

At each reporting date, the Association assesses whether there is objective evidence of impairment on any financial assets that are measured at amortised cost. Where there is any objective evidence of impairment, an impairment loss is recognized immediately in profit or loss.

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.

##### *(d) Derecognition of financial assets*

An entity only derecognizes a financial asset when the contractual rights to the cash flows from the assets have expired or are settled, or the entity has transferred to another party substantially all the risks and rewards of ownership relating to the financial asset.

##### *(e) Derecognition of financial liabilities*

Financial liabilities are derecognized only when these are extinguished - that is, when the obligation is discharged, cancelled or has expired.

### 12.3 Cash

Cash consist of cash on hand and deposits held with banks. These are carried in the statement of financial position at amortized cost.

### 12.4 Receivables

Receivables are stated at their nominal value less any allowance for impairment losses. An estimate of allowance for impairment losses is provided when the collection is no longer probable or the amounts expected to be collected are less than the amounts due. Other relevant policies are disclosed in Note 12.2.

### 12.5 Prepayment and other current assets

Prepayments and other current assets, which are carried at cost, are expenses paid in cash and recorded as assets before these are used or consumed, as the service or benefit will be received in the future. Prepayments expire and are recognized as expense either with the passage of time or through use or consumption.

### 12.6 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to allocate cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives of the Association's depreciable assets are as follows:

Transportation equipment	5 years
Office equipment	3 to 5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of revenue over expenses and members' equity in the year the item is derecognized.

### 12.7 Impairment of non-financial assets

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

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

## **12.8 Accounts payable and other current liabilities**

Accounts payable and other current liabilities are recognized initially at the transaction price and subsequently measured at amortized cost using the effective interest method. Other relevant policies are disclosed in Note 12.2.

## **12.9 Construction Bond**

Construction bond are based on predetermined rates as provided by BoT. Construction bond are non-interest-bearing guarantee deposits recognized at cost and refundable upon completion of the constructions project, net of inspections fees, penalties and other expenses charged by the Association, if any. Other relevant policies are disclosed in Note 12.2.

## **12.10 Provisions**

Provisions are recognized when the Association has an obligation as a result of a past event; it is probable that a transfer of economic benefits will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

When the effect of time value is material, provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate that reflect current market assessments of the time value of money and the risks specific to the obligation. Changes in the provisions due to passage of time are recognized in profit or loss.

## **12.11 Members' equity**

Members' equity represent accumulated excess of revenue over expenses.

## **12.12 Revenue recognition**

Revenue is measured as the fair value of the consideration received or receivable, net of discounts. The Association recognizes revenue to the extent that it is probable that future economic benefits will flow to the entity and that the amount of revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

### *(a) Associate dues*

Association dues is computed based on the rate per square meter of lot and building occupied by each member as approved by the BoT.

### *(b) Interest income*

Interest income is recognized using the effective interest method. Interest income is included in the statement of revenue over expenses and members' equity.

### *(c) Other income*

Other income is recognized when earned.

## **12.13 Expense recognition**

Expenses are recorded when incurred.

## **12.14 Income taxes**

The income tax expense is usually comprised of current and deferred tax. Tax is recognized in the statement of income.

### *(a) Current income tax*

The current income tax expense is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

### *(b) Deferred income tax*

Deferred income tax is provided, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred income tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable income will be available against which the deductible temporary differences can be utilized.

The carrying amount of deferred income 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 income tax assets to be utilized.

Deferred income tax assets and liabilities are measured at the tax rate that is expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as at reporting date.

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

Deferred income tax assets and liabilities are derecognized when the related bases are realized/settled or when they are no longer realizable.

## **12.15 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.

### *Corporate Recovery and Tax Incentives for Enterprises Act (CREATE)*

On March 26, 2021, (RA No.11534), otherwise known as CREATE, was signed into law. Among the salient provisions of CREATE include changes to the Corporate Income Tax (CIT) as follows:

- RCIT rate of 20% (from 30%) shall be applicable to domestic corporations with net taxable income not exceeding P5 million and with total assets not exceeding P100 million (excluding land on which the business entity's office, plant and equipment are situated) from July 1, 2020;
- RCIT rate of 25% (from 30%) shall be applicable to all other domestic and foreign corporations from July 1, 2020; and
- For the period beginning July 1, 2020 until June 30, 2023, the MCIT rate shall be 1%, instead of 2%.

As at December 31, 2020, the CREATE bill is still pending ratification by both the Philippine Congress and Senate, and consequently pending approval of the President of the Republic of the Philippines. As such, the Company has assessed that the proposed tax law is not enacted or substantively enacted as at December 31, 2020.

For financial reporting purposes, the enactment of CREATE after the reporting date is deemed a non-adjusting subsequent event.

#### **12.16 Coronavirus Disease 2019 (COVID-19) assessment**

Subsequent to the outbreak of COVID-19 in early 2020, a series of measures to curb the COVID-19 outbreak have been and continues to be implemented in the country. The spread of the COVID-19 pandemic has no major impact on the operations of the Association.

The Association has observed the government mandate and directives. Management has appropriately considered the impact of the pandemic in determining the recoverability of its assets and sufficiency of provisions as at December 31, 2020 and along with this, will continue to address the issues that directly affect its business operations and is optimistic and expects that the COVID-19 pandemic would not have a significant long-term impact on the Association's financials or on its ability to continue as a going concern.

#### **Note 13 - Supplementary information required by Bureau of Internal Revenue (BIR)**

The following supplementary information required by Revenue Regulations (RR) No. 15-2010 and 34-2020 are presented for purposes of filing with the BIR and are not a required part of the basic financial statements:

##### RR 15-2010

##### *(a) Value-added tax*

The Association's assessment dues are not subject to output VAT while its purchases from VAT – registered individuals or corporations are subject to input VAT.

In March 8, 2013, the Association applied for VAT exemption to the BIR. The application was approved last January 20, 2020.

##### *(b) Importations*

The Association had no importation for the year ended December 31, 2020.

##### *(c) Excise tax*

The Association had no transaction during the year that is subject to excise taxes.

##### *(d) Documentary stamp tax*

The Association had no transaction during the year that is subject to documentary stamp tax.

##### *(e) All other local and national taxes*

All other local and national taxes paid and accrued during the year consist of:

Real property taxes	3,147,008
Business permits	9,900
Community tax certificate	500
Others	9,588
	3,166,996

*(f) Withholding taxes*

Withholding taxes paid and accrued and/or withheld for as at and for the year ended December 31, 2020 is amounted to P301,981 and P288,400, respectively. The accrued portion of the withholding taxes is included in the payable to government agency under accounts payable and other current liabilities.

*(g) Tax assessments/cases*

There are no outstanding tax assessments from the BIR and outstanding tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside of the BIR as at December 31, 2020.

RR No. 34-2020

On December 18, 2020, BIR issued RR No. 34-2020, *Prescribing the Guidelines and Procedures for the Submission of BIR Form No. 1709, Transfer Pricing Documentation (TPD) and other Supporting Documents, Amending for this Purpose the Pertinent Provisions of RR Nos. 19-2020 and 21-2002, as amended by RR No. 15-2010*, to streamline the guidelines and procedures for the submission of BIR Form No. 1709, TPD and other supporting documents by providing safe harbors and materiality thresholds. Section 2 of the RR provides the list of taxpayers that are required to file and submit the RPT Form, together with the Annual Income Tax Return.

The Company is not covered by the requirements and procedures for related party transactions provided under this RR as it does not meet any criteria of taxpayers prescribed in Section 2 of the RR.



**ANVAYA  
COVE**

The Neighborhoods at Anvaya Cove  
Homeowners' Association, Inc.

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## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **The Neighborhoods at Anvaya Cove Homeowners' Association, Inc** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

The Board of Trustees is responsible for overseeing the Company's financial reporting process.

The Board of Trustees reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

**Isla Lipana & Co.**, the independent auditor, appointed by the stockholders, has audited the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signature \_\_\_\_\_

**Victor J. Samson Jr.**  
Board President

Signature \_\_\_\_\_

**Arnold P. Duay**  
Board Vice-President

Signature \_\_\_\_\_

**Harry C. Tang**  
Board Member

BUREAU OF INTERNAL REVENUE  
10020 - BALANGA CITY BATAN

APR 30 2021

**CAMILLE P. SALONGA**  
REVENUE OFFICER