

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

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o	c	k	,		N	o	n	p	r	o	f	i	t		A	s	s	o	c	i	a	t	i	o	n)				

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

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Form Type
A A F S

Department requiring the report
C R M D

Secondary License Type, If Applicable
N / A

COMPANY INFORMATION

Association's Email Address contact@friendsofhope.ph	Association's Telephone Number 8843-8748	Mobile Number 0917-834-1255
No. of Stockholders N/A	Annual Meeting (Month / Day) 01/08	Fiscal Year (Month / Day) 12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person Ms. Nanette Po	Email Address nanette@friendsofhope.ph	Telephone Number/s 8843-8748	Mobile Number 0917-834-1255
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CONTACT PERSON'S ADDRESS

38 Pili Avenue, South Forbes Park, Makati City

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

The Board of Trustees and Members
Friends of Hope, Inc.
38 Pili Avenue, South Forbes Park
Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Friends of Hope, Inc. (a nonstock, nonprofit association) (the Association), which comprise the statements of assets, liabilities and fund balances as at December 31, 2019 and 2018, and the statements of income and expenses, statements of changes in fund balances 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 (PFRS) for Small Entities.

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 PFRS for Small Entities, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

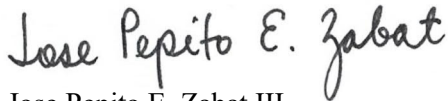
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 16 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 Friends of Hope, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Jose Pepito E. Zabat III

Partner

CPA Certificate No. 85501

SEC Accreditation No. 0328-AR-4 (Group A),

April 26, 2018, valid until April 25, 2021

Tax Identification No. 102-100-830

BIR Accreditation No. 08-001998-60-2018,

February 26, 2018, valid until February 25, 2021

PTR No. 8125325, January 7, 2020, Makati City

June 30, 2020



FRIENDS OF HOPE, INC.
(A Nonstock, Nonprofit Association)

STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCES

	December 31	
	2019	2018
ASSETS		
Current Assets		
Cash (Note 4)	₱27,549,917	₱35,270,405
Advances to employees	196,763	90,192
Due from a related party (Note 9)	1,595	1,817,672
Other current assets (Note 5)	464,571	2,732,096
Total Current Assets	28,212,846	39,910,365
Noncurrent Assets		
Property and equipment (Note 6)	707,833	1,066,889
Other noncurrent asset (Note 7)	20,000	-
Total Noncurrent Assets	727,833	1,066,889
TOTAL ASSETS	₱28,940,679	₱40,977,254
LIABILITIES AND FUND BALANCES		
Current Liabilities		
Accounts and other payables (Note 8)	₱1,119,817	₱2,461,061
Due to related parties (Note 9)	452,787	827,425
Total Current Liabilities	1,572,604	3,288,486
Fund Balances	27,368,075	37,688,768
TOTAL LIABILITIES AND FUND BALANCES	₱28,940,679	₱40,977,254

See accompanying Notes to Financial Statements.



FRIENDS OF HOPE, INC.
(A Nonstock, Nonprofit Association)

STATEMENTS OF INCOME AND EXPENSES

	Years Ended December 31	
	2019	2018
INCOME		
Donations (Note 10)	₱18,226,474	₱38,779,668
Interest and other income (Note 4)	122,227	59,919
	18,348,701	38,839,587
PROJECT EXPENSES (Note 10)	25,414,416	27,645,924
COST AND EXPENSES		
General and administrative (Note 11)	3,222,896	1,591,464
Marketing expenses	32,082	–
	3,254,978	1,591,464
EXCESS (DEFICIENCY) OF INCOME OVER EXPENSES BEFORE INCOME TAX	(10,320,693)	9,602,199
PROVISION FOR INCOME TAX (Note 13)	–	121
EXCESS (DEFICIENCY) OF INCOME OVER EXPENSES	(₱10,320,693)	₱9,602,078

See accompanying Notes to Financial Statements.



FRIENDS OF HOPE, INC.
(A Nonstock, Nonprofit Association)

STATEMENTS OF CHANGES IN FUND BALANCES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Members' Contribution	Cumulative Excess of Income Over Expenses	Total
Balances at December 31, 2017	₱10,000	₱28,076,690	₱28,086,690
Excess of income over expenses for the year	–	9,602,078	9,602,078
Balances at December 31, 2018	10,000	37,678,768	37,688,768
Deficiency of income over expenses for the year	–	(10,320,693)	(10,320,693)
Balances at December 31, 2019	₱10,000	₱27,358,075	₱27,368,075

See accompanying Notes to Financial Statements.



FRIENDS OF HOPE, INC.
(A Nonstock, Nonprofit Association)
STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (deficiency) of income over expenses before income tax	(₱10,320,693)	₱9,602,199
Adjustments for:		
Depreciation (Note 6)	383,051	309,253
Interest income (Note 4)	(122,227)	(53,880)
Loss on write-off of assets (Note 5)	962,454	–
Operating income (loss) before changes in working capital	(9,097,415)	9,857,572
Decrease (increase) in:		
Advances to employees	(106,571)	(16,726)
Due from a related party	1,816,077	54,390
Other current assets	1,305,071	(1,369,692)
Increase (decrease) in accounts and other payables	(1,341,244)	1,899,489
Net cash flows from (used in) operations	(7,424,082)	10,425,033
Interest received	122,227	53,880
Net cash flows from (used in) operating activities	(7,301,855)	10,478,913
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment (Note 6)	(23,995)	(912,694)
Increase in other noncurrent assets	(20,000)	–
Net cash flows used in investing activities	(43,995)	(912,694)
CASH FLOWS FROM A FINANCING ACTIVITY		
Decrease in due to related parties	(374,638)	(21,187)
Net cash flows used in financing activities	(374,638)	(21,187)
NET INCREASE (DECREASE) IN CASH	(7,720,488)	9,545,032
CASH AT BEGINNING OF YEAR	35,270,405	25,725,373
CASH AT END OF YEAR (Note 4)	₱27,549,917	₱35,270,405

See accompanying Notes to Financial Statements.



FRIENDS OF HOPE, INC.
(A Nonstock, Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Friends of Hope, Inc. (the Association) was registered with the Philippine Securities and Exchange Commission (SEC) on October 6, 2011 as a nonstock, nonprofit association. It was established to contribute to educational and community development causes or other charitable endeavors of whatever nature and in whatever locality/ies that the Association may select to pursue or establish, using donations and all profits from any activities undertaken by the Association including, and without limitation to, project based co-brands or the purchase and sale of food, beverages and other products, provided, however, that all profits generated therefrom shall be used for the aforementioned charitable purposes and the operating expenses of the Association.

The Philippine Council for NGO Certification (PCNC) granted the Association a 3-year certification as a registered non-profit in August 2015. Consequently, the Bureau of Internal Revenues (BIR), thru the recommendation of PCNC who has been authorized by the Department of Finance to evaluate and accredit applications, has given the Association a donee institution status in October 2015. Thus, entitling the Association to the benefits of Section 30 of the National Internal Revenue Code of 1997, as amended. On May 10, 2018, PCNC granted the Association a five (5) year certification as a registered non-profit organization.

The Association's registered office address and principal place of business is at 38 Pili Avenue, South Forbes Park, Makati City.

The financial statements of the Association for the years ended December 31, 2019 and 2018 were authorized for issuance by the BOT on June 30, 2020.

2. Basis of Preparation and Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation

The Association's financial statements have been prepared in accordance with Philippine Financial Reporting Standard (PFRS) for Small Entities, as approved by the Philippine Financial Reporting Standards Council, Board of Accountancy and SEC.

The financial statements have been prepared on a historical cost basis and are presented in Philippine peso. All values are rounded to the nearest peso except when otherwise indicated.

The financial statements as at and for the year ended December 31, 2019 are the Association's first financial statements prepared in accordance with PFRS for Small Entities. Previously, the Association prepared its financial statements in accordance with PFRS for Small and Medium-sized Entities (PFRS for SMEs). The Association's date of transition to PFRS for Small Entities is January 1, 2019.

There was no retrospective adjustment made by the Association upon its initial adoption of PFRS for Small Entities from its previous financial statements prepared in accordance with PFRS for SMEs. All related principles and guidance of PFRS for Small Entities and PFRS for SMEs from which the Association adopted are similar in nature.

Summary of Significant Accounting and Financial Reporting Policies



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's basic financial instruments consists of cash in banks, security deposits, accounts and other payables, due to and from related parties. The Association does not have complex financial instruments.

Initial measurement

On initial recognition, a debt financial instrument is measured at transaction price (including transaction costs), unless the arrangement 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.

Subsequent measurement

The Association's debt financial instruments are subsequently measured at amortized cost using the effective interest method.

Impairment of financial instruments

At each reporting date, the Association assesses whether there is objective evidence of impairment on any financial assets that are measured at amortized cost. Where there is any objective evidence of impairment, impairment loss is recognized immediately in the statement of income and expenses.

The impairment loss is the difference between the asset's carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate.

Derecognition of financial assets and liabilities

An entity only derecognizes a financial asset when: (a) the contractual rights to the cash flows from the financial asset expire or are settled, or (b) the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or (c) the entity, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity shall: (i) derecognize the asset, and (ii) recognize separately any rights and obligations retained or created in the transfer.

An entity shall derecognize a financial liability (or a part of a financial liability) only when it is extinguished, that is when the obligation specified in the contract is discharged, is cancelled or expires.

Cash

Cash includes cash on hand and in bank, which are carried at face value. Cash in bank earn interest at floating rates based on daily bank deposit rates.

Advances to Employees

Advances to employees are unsecured, non-interest bearing cash advances for business related expenditures. At the end of each reporting date, the carrying amounts of advances to employees are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognized immediately in the statement of income and expenses.

If there is objective evidence that an impairment loss on receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of



estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in statement of income and expenses.

Other Current Assets

Other current assets include prepaid expenses, input value-added tax (VAT) and security deposit. Prepaid expenses consist of prepayments for insurance and classroom and agriculture project expenses and are carried at cost less amortized portion. Other current assets are expected to be realized for no more than twelve (12) months after the end of reporting period.

Property and Equipment

Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property and equipment. When significant parts of property and equipment are required to be replaced at intervals, the Association depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

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

<u>Category</u>	<u>Number of Years</u>
Office furniture and fixtures	3-5
Office machinery and equipment	3
Transportation equipment	3-5

The useful lives and depreciation method are reviewed periodically to ensure that the periods and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future benefits are expected from the disposal. Any gain or loss arising on derecognition of the property and equipment (calculated as the difference between net disposal proceeds and the carrying amount of the property and equipment) is included in the statement of income and expenses when the property and equipment is derecognized.

Fully depreciated property and equipment are retained into the accounts until they are no longer in use.

Impairment of Nonfinancial Assets

At each financial reporting date, the Association reviews and assesses property and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in the statement of income and expenses.



If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount (selling price less costs to complete and sell, in the case of inventories), but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset (or group of related assets) in prior years. A reversal of an impairment loss is recognized immediately in the statement of income and expenses.

Accounts and Other Payables

Accounts and other payables are obligations on the basis of normal credit terms and do not bear interest. These are recognized in the period on which the related goods or services are received, or when legally enforceable claim against the Association is established, or when the corresponding assets or expenses are recognized. These are classified as current liabilities when these are expected to be settled within twelve (12) months from the end of the reporting period. Otherwise, these are classified as noncurrent liabilities.

Fund Balance

Members' contribution represents the initial contribution of the members upon incorporation. Cumulative excess of income over expenses represent accumulated excess (deficiency) of income over expenses including all current and prior period results as disclosed in the statement of comprehensive income.

Income

Income is recognized to the extent that it is probable that the economic benefits will flow to the Association and the income can be reliably measured. Income is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business. The following specific recognition criteria must also be met before income is recognized:

Donation income

Donations are recognized upon receipt of the donations. All donations received are considered available for general use unless specifically restricted by the donors.

Interest income

Interest income is recognized as interest accrues on a time proportion basis taking into account the effective yield on the asset.

Other income

Income is recognized in the statement of income and expenses as they are earned.

Cost and Expenses

Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or decreases of assets or incurrence of liabilities that result in decrease in fund balance. Expenses are recognized when incurred.

Taxes

Current income tax

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



Deferred tax

Deferred tax is provided using the balance sheet 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.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in foreign subsidiaries and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which the deductible temporary differences can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable income or loss; and
- in respect of deductible temporary differences associated with investments in foreign subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each financial reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each financial reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are 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 at the financial reporting date.

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

VAT

Input tax represents the VAT paid on purchases of goods and services that the Association can apply against any future liability for output VAT on sale of goods subjected to VAT. The input VAT can also be recovered as tax credit under certain circumstances and can be applied against future income tax liability of the Association upon approval of the BIR. Input VAT is stated at its estimated net realizable value.

Output VAT pertains to the 12% tax due on the sale of goods by the Association.

If at the end of any taxable month, the output VAT exceeds the input VAT, the outstanding balance is included under “Accounts and other payables” account. If the input VAT exceeds the output VAT, the excess shall be carried over to the succeeding months and included under “Other current assets”.



Related Party Relationship and Transactions

Related party relationship exists when one part has the ability to control, directly or indirectly, through one or more subsidiaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. A lessee shall recognize all lease payments as expense in the statement of income and expenses in the period in which they are incurred.

Provisions

Provisions are recognized when the Association 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. The expense relating to any provision is presented in the statement of comprehensive income. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. 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 Period

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 financial statements when material.

3. Significant Accounting Estimates and Assumptions

The preparation of the Association's financial statements requires management to make estimates that affect the amounts reported in the financial statements and accompanying notes. The estimates used in the accompanying financial statements are based upon managements' evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from such estimates.

Estimates

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

Estimated useful lives of property and equipment

The Association estimates that the useful lives of its property and equipment, except land, are based on the period over which the assets are expected to be available for use. The Association reviews annually the estimated useful lives of property and equipment based on factors that include asset utilization,



internal technical evaluation, technological changes, environmental and anticipated use of the assets tempered by related industry benchmark information. It is possible that future results of operation could be materially affected by changes in these estimates brought about by changes in factors mentioned. A reduction in the estimated useful lives of property and equipment would increase depreciation expense and decrease noncurrent assets.

There were no changes in the estimated useful lives of the Association's property and equipment in 2019 and 2018. The carrying values of the Association's property and equipment amounted to ₱707,833 and ₱1,066,889 as of December 31, 2019 and 2018, respectively (Note 6).

Impairment of nonfinancial assets

The Association assesses the impairment of nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of nonfinancial asset may not be recoverable. The factors that the Association considers important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results; and
- significant negative industry or economic trends.

If any such indication exists, the recoverable amount of the nonfinancial asset is estimated. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Whenever the carrying amount of an asset exceeds its estimated recoverable amount, an impairment loss is recognized. Based on management assessment as of December 31, 2019 and 2018, there are no impairment provision required for property and equipment.

In 2019, the Association recognized impairment on prepayments related to coconut propagation amounting to ₱962,454 (Notes 5 and 11).

Recoverability of deferred tax assets

The Association reviews the carrying amounts of deferred tax assets at each reporting date and reduces it to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Association will generate sufficient taxable income to allow all or part of its deferred tax assets to be utilized. No deferred tax assets have been recognized on temporary differences amounting to ₱41,873,910 and ₱27,845,966 as of December 31, 2019 and 2018, respectively (Note 13).

4. **Cash**

	2019	2018
Cash on hand	₱356,192	₱84,264
Cash in banks	27,193,725	35,186,141
	₱27,549,917	₱35,270,405

Cash in banks earn interest at the respective bank deposit rates. Interest income earned from cash in bank amounted to ₱122,227 and ₱53,880 in 2019 and 2018, respectively.



5. Other Current Assets

	2019	2018
Input VAT	P293,284	P197,283
Prepaid expenses	171,287	2,534,813
	P464,571	P2,732,096

Input VAT represents VAT imposed by the Association's suppliers for the purchase of goods and services as required by Philippine taxation laws and regulations.

Prepaid expenses include prepaid insurance and classroom and agriculture related project expenses. In 2019, the Association written-off certain prepayments related to coconut propagation amounting to P962,454 (Note 11).

6. Property and Equipment

As of December 31, 2019

	Office Furniture and Fixtures	Office Machinery and Equipment	Transportation Equipment	Total
Cost:				
Balances at beginning of year	P199,301	P907,651	P605,739	P1,712,691
Additions	23,995	-	-	23,995
Balances at end of year	223,296	907,651	605,739	1,736,686
Accumulated depreciation:				
Balances at beginning of year	72,560	449,130	124,112	645,802
Depreciation (Notes 10 and 11)	37,174	224,729	121,148	383,051
Balances at end of year	109,734	673,859	245,260	1,028,853
Net book values	P113,562	P233,792	P360,479	P707,833

As of December 31, 2018

	Office Furniture and Fixtures	Office Machinery and Equipment	Transportation Equipment	Total
Cost:				
Balances at beginning of year	P199,301	P513,957	P86,739	P799,997
Additions	-	393,694	519,000	912,694
Balances at end of year	199,301	907,651	605,739	1,712,691
Accumulated depreciation:				
Balances at beginning of year	32,079	275,556	28,914	336,549
Depreciation (Notes 10 and 11)	40,481	173,574	95,198	309,253
Balances at end of year	72,560	449,130	124,112	645,802
Net book values	P126,741	P458,521	P481,627	P1,066,889

7. Other Noncurrent Asset

This account consists mainly of security deposit to Gretha Paderna in connection with the rental of office space. The amount deposited will be returned to the Association at the end of the lease term.



8. Accounts and Other Payables

	2019	2018
Accrued expenses	₱579,642	₱2,018,849
Others	540,175	442,212
	₱1,119,817	₱2,461,061

Accrued expenses consist of expenses incurred but not yet paid, e.g. salaries and wages, communication expense, classroom project expenses and inventories for agriculture.

Other payables include advances from employees, withholding taxes, income taxes, contributions for remittance to Social Security System (SSS), Philippine Health Insurance Corporation (PHIC) and Home Development Mutual Fund (HDMF).

9. Related Party Transactions

Parties are considered to be related if one party has the ability to control, directly or indirectly, the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. Key management personnel are considered related parties.

The Association in the regular conduct of business enters into transactions with related parties which consist of advances, reimbursement of expenses and regular banking transactions.

The Association's significant related party transactions, which are under terms that are no less favorable than those arranged with third parties, are as follows:

Related Parties	Year	Amount/ Volume	Due from Due (to)
GenerationHope, Inc. (GHI)			
a. Shared services	2019	₱896,000	₱-
	2018	1,158,187	(80,927)
b. Advances	2019	1,193,292	(276,511)
	2018	1,413,654	-
c. Advances	2019	149,446	1,595
	2018	124,555	1,817,672
d. Donations	2019	6,125,000	-
	2018	650,000	-
Officers			
b. Advances	2019	-	(176,276)
	2018	-	(746,498)

The Association and GHI are entities under common control. The Association receives donation income from GHI that will be used to finance classroom and agriculture related project expenses together with other donations received by third party donors.



Transactions with related parties are as follows:

- a.) On December 1, 2016, the Association entered into a memorandum of agreement with GHI to provide services such as marketing and communication, strategic partnership, human resources, messenger and accounting services. In 2019 and 2018 shared service fee incurred under “General and administrative expenses” account amounted to ₱192,186 and ₱400,500, respectively (Note 11). Shared service fee incurred under “Project expense” account amounted to ₱607,814 and ₱735,112 for 2019 and 2018, respectively (Note 10).
- b.) The Association has certain advances from GHI and stockholders for working capital requirements.
- c.) The Association incurred reimbursable charges and made payments for operating expenses on behalf of GHI. Likewise, GHI claim reimbursements for certain expenses incurred on behalf of the Association.
- d.) In 2019 and 2018, the Association received donation from GHI amounting to ₱6,125,000 and ₱650,000, respectively.

10. Donations and Project Expenses

Donation

Donation income is composed of donations from various companies and organizations. Donation income of the Association amounted to ₱18,226,474 and ₱38,779,668 in 2019 and 2018, respectively.

Project Expenses

In 2016, the Association formally entered into various agreements to expand access to education through classroom building and to improve the sustainability and profitability of coconut farming through training, market access and other interventions.

	2019	2018
Adopt-a-school program	₱10,400,396	₱14,173,423
Agricultural program:		
Personnel costs (Note 12)	7,990,399	5,820,475
Farm inputs	2,671,496	2,530,585
Rental (Note 14)	769,083	1,556,312
Shared services (Note 9)	607,814	735,112
Activation expenses	512,533	–
Insurance	511,697	501,715
Gasoline	351,151	377,704
Depreciation (Note 6)	322,521	248,072
Telephone and communication	298,199	275,470
Security services	170,000	68,000
Transportation and travel	150,774	788,281
Meals	96,388	392,139
Office supplies	83,661	46,094
Others	478,304	132,542
	15,014,020	13,472,501
	₱25,414,416	₱27,645,924



11. General and Administrative Expenses

	2019	2018
Personnel costs (Note 12)	₱1,719,424	₱664,650
Loss on write-off of assets (Note 5)	962,454	–
Shared services (Note 9)	192,186	400,500
Transportation and travel	73,369	79,350
Telephone and communication	62,366	40,474
Depreciation (Note 6)	60,530	61,181
Office supplies	31,560	18,942
Taxes and licenses	25,625	277,452
Insurance	5,293	14,017
Professional fees	–	21,636
Others	90,089	13,262
	₱3,222,896	₱1,591,464

In 2019, the Association has written-off certain expenses related to coconut propagation (Note 5).

12. Personnel Costs

	2019	2018
Project expense (Note 10):		
Salaries and wages	₱5,381,362	₱4,491,884
Other employee benefits	2,609,037	1,328,591
	7,990,399	5,820,475
General and administrative expenses (Note 11):		
Salaries and wages	1,409,417	482,561
Other employee benefits	310,007	182,089
	1,719,424	664,650
	₱9,709,823	₱6,485,125

13. Income Tax

In 2019 and 2018, the provision for income tax amounted to nil and ₱121 minimum corporate income tax, respectively. The reconciliation of the provision for income tax computed at the applicable statutory tax rate to the income tax shown in the statement of income and expenses is summarized as follows:

	2019	2018
Income (Loss) at statutory income tax rate of 30%	(₱3,096,208)	₱2,880,660
Additions to (reductions in) income tax resulting from:		
Movement in unrecognized deferred tax asset	4,063,162	5,990,151
Nondeductible expenses	318,177	–
Expired NOLCO and MCIT	297,912	
Interest income subjected to final tax	(36,668)	(16,164)
Income not subjected to tax under Section 30 of the 1997 Tax Code	(1,546,375)	(8,854,526)
	₱–	₱121



No deferred tax assets have been recognized on the following temporary differences because management believes that it is not probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized.

	2019	2018
NOLCO	₱41,873,689	₱27,638,329
MCIT	221	207,667
	₱41,873,910	₱27,845,996

As of December 31, 2019, the Association has NOLCO that can be claimed as deduction from future taxable income as follows:

Period of Recognition	Availment Period	Amount	Applied	Expired	Balance
2019	2020-2023	₱14,536,912	₱-	₱-	₱14,536,912
2018	2019-2021	19,966,766	-	-	19,966,766
2017	2018-2020	7,370,011	-	-	7,370,011
2016	2017-2019	301,552	-	301,552	-
		₱42,175,241	₱-	₱301,552	₱41,873,689

As at December 31, 2019, the Association has MCIT that can be claimed as deduction from tax payable as follows:

Period of Recognition	Availment Period	Amount	Applied	Expired	Balance
2018	2019-2021	₱121	₱-	₱-	₱121
2017	2018-2020	100	-	-	100
2016	2017-2019	207,446	-	207,446	-
		₱207,667	₱-	₱207,446	₱221

14. Lease Agreements

The Association has entered into various lease agreements on office space and car rentals. The operating lease agreements are for periods ranging from three (3) to twelve (12) months from the date of contracts. Total rent charged to operations amounted to ₱769,083 and ₱1,556,312 in 2019 and 2018, respectively (Note 10).

15. Events After Reporting Date

COVID-19 Outbreak

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region (NCR) effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine (ECQ) throughout the island of Luzon until April 12, 2020, which was subsequently extended to April 30, 2020. On April 24, 2020, ECQ was extended until May 15, 2020 for areas deemed high-risk for COVID-19 which included the NCR. On May 12, 2020, it was declared that NCR was still a high-risk area for COVID-19 and therefore placed under modified ECQ. On June 1, 2020, NCR transitioned from modified ECQ to



general ECQ as previously announced on May 28, 2020. On June 15, 2020, it was declared that NCR will remain under general ECQ until June 30, 2020. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve. The Association has recognized the health and business risks posed by the virus to the general public and the need to join the collective effort in mitigating the spread of COVID-19. In the face of this global crisis, the Association remains collected and vigilant as it operates and maintains mitigation efforts to help safeguard the health and safety of the employees.

The Association considers the events surrounding the outbreak as non-adjusting subsequent events, which do not impact its financial position and performance as of and for the year ended December 31, 2019. However, the outbreak could have a material impact on its 2020 financial results and even period thereafter. Considering the evolving nature of this outbreak, the Association cannot determine at this time the impact to its financial position, performance and cash flows. The Company will continue to monitor the situation.

16. Supplementary Information Required Under Revenue Regulations 15-2010

On November 25, 2010, the BIR issued Revenue Regulation (RR) 15-2010 which amends certain provisions of RR 21-2002 prescribing the manner of compliance with any documentary and/or procedural requirements in connection with the preparation and submission of financial statements accompanying the tax returns. It recognizes the disclosures of taxes, duties and licenses paid or accrued during the taxable year.

In compliance with the requirements set forth by RR 15-2010, hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year.

VAT

The National Internal Revenue Code of 1997 also provides for the imposition of VAT on sales of goods and services. Accordingly, the Association's sales are subject to output VAT while its importations and purchases from the VAT-registered individuals or corporations are subject to input VAT. Republic Act No. 9337 increased the VAT rate from 10.00% to 12.00% effective January 1, 2006.

- a. The Association has no Vatable, VAT-exempt and zero-rated sales/receipts for the year 2019.
- b. Details of input VAT consist of:

Input VAT, beginning of the year	₱197,283
Current year's domestic purchases/payments for:	
Goods other than capital goods	—
Domestic purchases of services	96,000
	293,283
Application to output VAT	—
Balances at the end of year	₱293,283



Other Taxes and Licenses

This includes all other taxes, local and national, including real estate taxes, licenses and permit fees lodged under the “Taxes and licenses” account under ‘General and Administrative Expenses’ section in the Association’s statement of comprehensive income:

Business permit	₱8,435
Annual dues to PCNC including assembly fees	8,700
Barangay clearance	1,864
Community tax	500
BIR annual registration	500
Others	5,626
	<hr/>
	₱25,625

“Others” include certification and payment for Certified true copy of SEC Articles of Incorporation and 2018 Financial Statements.

Withholding Taxes

The Association has paid/accrued withholding taxes for the year amounted as follows:

Withholding taxes on compensation and benefits	₱549,267
Expanded withholding taxes	78,050
	<hr/>
	₱627,317

Tax Assessment

The Association did not receive any final tax assessments in 2019, nor did it have tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the administration of BIR.



Statement of Management's Responsibility for Financial Statements

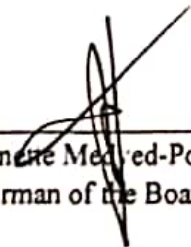
The management of **Friends of Hope, Inc.**, the Association, is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2019 and 2018, in accordance with the prescribed financial reporting framework 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 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 Branch or to cease operations, or has no realistic alternative but to do so.

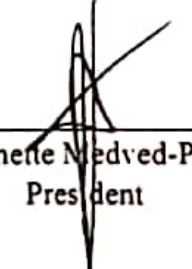
The Board of Trustees is responsible for overseeing the Association's financial reporting process.

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

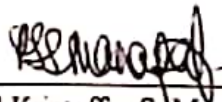
SyCip Gorres Velayo & Co., the independent auditor appointed by the Association, has audited the financial statements in accordance Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.



Nanette Medved-Po
Chairman of the Board



Nanette Medved-Po
President



Richard Kristoffer S. Manapat
Treasurer

Signed this ___ day of _____