



HOPE Accounting <accounting@generationhope.ph>

BIR Email Notification (eFiling of Tax Return)

1 message

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To: accounting@generationhope.ph

Wed, Sep 1, 2021 at 10:17 AM

Good Day FRIENDS OF HOPE, INC.,

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From,

Bureau of Internal Revenue

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF FINANCE
BUREAU OF INTERNAL REVENUE

FILING REFERENCE NO.

TIN	: 008-140-712-000
Name	: FRIENDS OF HOPE, INC.
RDO	: 050
Form Type	: 1702
Reference No.	: 122100043421937
Amount Payable / (Over Remittance)	: 0.00
Accounting Type	: C - Calendar
For Tax Period	: 12/31/2020
Date Filed	: 09/01/2021
Tax Type	: IT

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Friends of Hope, Inc. Mail - BIR Email Notification (eFiling of Tax Return)

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The Management of **Friends of Hope Inc.** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2020. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2020 and the accompanying Annual Income Tax Return are in accordance with the books and records of **Friends of Hope Inc.** complete and correct in all material respects. Management likewise affirms that:

- a. the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- b. any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the Company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;
- c. the **Friends of Hope Inc.** has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

DocuSigned by:

Nanette Po

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NANETTE M. PO

Chairman of the Board

DocuSigned by:

Richard Kristoffer S. Manapat

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RICHARD KRISTOFFER S. MANAPAT

Treasurer



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, 2020 and 2019, 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, 2020 and 2019, 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.

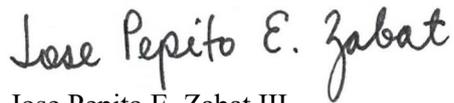
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Report on the Supplementary Information Required Under Revenue Regulations 34-2020 and 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 34-2020 and 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

Accreditation No. 85501-SEC (Group A)

Valid to cover audit of 2020 to 2024

financial statements of SEC covered institutions

Tax Identification No. 102-100-830

BIR Accreditation No. 08-001998-060-2020,

December 3, 2020, valid until December 2, 2023

PTR No. 8534388, January 4, 2021, Makati City

June 25, 2021



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

STATEMENTS OF ASSETS, LIABILITIES AND FUND BALANCES

	December 31	
	2020	2019
ASSETS		
Current Assets		
Cash (Note 4)	₱33,704,159	₱27,549,917
Advances to employees	42,208	196,763
Due from a related party (Note 9)	24,719	1,595
Other current assets (Note 5)	177,658	464,571
Total Current Assets	33,948,744	28,212,846
Noncurrent Assets		
Property and equipment (Note 6)	623,616	707,833
Other noncurrent asset (Note 7)	16,000	20,000
Total Noncurrent Assets	639,616	727,833
TOTAL ASSETS	₱34,588,360	₱28,940,679
LIABILITIES AND FUND BALANCES		
Current Liabilities		
Accounts and other payables (Note 8)	₱181,960	₱1,119,817
Due to related parties (Note 9)	344,465	452,787
Total Current Liabilities	526,425	1,572,604
Fund Balances	34,061,935	27,368,075
TOTAL LIABILITIES AND FUND BALANCES	₱34,588,360	₱28,940,679

See accompanying Notes to Financial Statements.



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

STATEMENTS OF INCOME AND EXPENSES

	Years Ended December 31	
	2020	2019
DONATIONS (Note 10)	₱22,390,576	₱18,226,474
PROJECT EXPENSES (Note 10)	14,286,201	25,414,416
COST AND EXPENSES		
General and administrative (Note 11)	1,608,787	3,222,896
Marketing expenses	–	32,082
	1,608,787	3,254,978
INTEREST INCOME (Note 4)	198,272	122,217
EXCESS (DEFICIENCY) OF INCOME OVER EXPENSES BEFORE INCOME TAX	6,693,860	(10,320,693)
PROVISION FOR INCOME TAX (Note 13)	–	–
EXCESS (DEFICIENCY) OF INCOME OVER EXPENSES	₱6,693,860	(₱10,320,693)

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, 2020 AND 2019

	Members' Contribution	Cumulative Excess of Income Over Expenses	Total
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
Excess of income over expenses for the year	–	6,693,860	6,693,860
Balances at December 31, 2020	₱10,000	₱34,051,935	₱34,061,935

See accompanying Notes to Financial Statements.



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

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (deficiency) of income over expenses before income tax	₱6,693,860	(₱10,320,693)
Adjustments for:		
Depreciation (Note 6)	330,320	383,051
Loss on write-off of assets (Notes 5 and 11)	325,870	962,454
Interest income (Note 4)	(198,272)	(122,227)
Operating income (loss) before changes in working capital	7,151,778	(9,097,415)
Decrease (increase) in:		
Advances to employees	154,555	(106,571)
Due from a related party	(23,124)	1,816,077
Other current assets	(38,957)	1,305,071
Decrease in accounts and other payables	(937,857)	(1,341,244)
Net cash flows from (used in) operations	6,306,395	(7,424,082)
Interest received	198,272	122,227
Net cash flows from (used in) operating activities	6,504,667	(7,301,855)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property and equipment (Note 6)	336,137	–
Acquisition of property and equipment (Note 6)	(582,240)	(23,995)
Decrease (increase) in other noncurrent assets	4,000	(20,000)
Net cash flows used in investing activities	(242,103)	(43,995)
CASH FLOWS FROM A FINANCING ACTIVITY		
Decrease in due to related parties	(108,322)	(374,638)
NET INCREASE (DECREASE) IN CASH	6,154,242	(7,720,488)
CASH AT BEGINNING OF YEAR	27,549,917	35,270,405
CASH AT END OF YEAR (Note 4)	₱33,704,159	₱27,549,917

See accompanying Notes to Financial Statements.



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

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information, Status of Operations, and Authorization for Issuance of Financial Statements

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.

Status of Operations

In a move to contain the COVID-19 pandemic, on March 16, 2020, the Office of the President of the Philippines issued Proclamation No. 929, 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 until May 15, 2020. On May 12, 2020, this was further extended into a modified enhanced community quarantine, wherein certain implementing rules have been relaxed.

The community quarantine classification was subsequently extended or changed as follows:

<u>Classification</u>	<u>Effectivity</u>
General community quarantine	June 1 – August 1, 2020
Modified enhance community quarantine	August 2 – 18, 2020
General community quarantine	August 19, 2020 – March 28, 2021
Enhanced community quarantine	March 29, 2021 – April 11, 2021
Modified enhance community quarantine	April 12, 2021 – May 14, 2021
General community quarantine with heightened restrictions	May 15, 2021 – June 15, 2021
General community quarantine with some restrictions	June 16, 2021 – June 30, 2021

In 2020, the COVID-19 pandemic disrupted the Association's operations. Donations coming mainly from affiliate decreased due to the decline in the demand of the product. The Association will continue to monitor the situation and will take further action as necessary in response to these economic disruptions.



Authorization for Issuance of Financial Statements

The financial statements of the Association for the years ended December 31, 2020 and 2019 were authorized for issuance by the Board of Trustees (BOT) on June 25, 2021.

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.

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 and input value-added tax (VAT). Prepaid expenses consist of prepayments for insurance, rent 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
Transportation equipment	3-5
Office machinery and equipment	3
PCEX Equipment	3

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.

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.



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.

VAT

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the statement of financial position to the extent of the recoverable amount.

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 statements of income and expenses. 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 2020 and 2019. The carrying values of the Association's property and equipment amounted to ₱623,616 and ₱707,833 as of December 31, 2020 and 2019, 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, 2020 and 2019, there are no impairment provision required for property and equipment.

In 2020 and 2019, the Association recognized impairment on other current assets amounting to ₱325,870 and ₱962,454, respectively (Notes 5 and 11).



4. Cash

	2020	2019
Cash on hand	₱11,264	₱356,192
Cash in banks	33,692,895	27,193,725
	₱33,704,159	₱27,549,917

Cash in banks earn interest at the respective bank deposit rates. Interest income earned from cash in bank amounted to ₱198,272, and ₱122,227 in 2020 and 2019, respectively.

5. Other Current Assets

	2020	2019
Input VAT (net of write-off amounting to ₱325,870 and nil as of December 31, 2020 and 2019, respectively)	₱-	₱293,284
Prepaid expenses	177,658	171,287
	₱177,658	₱464,571

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. In 2020, the Association written-off unused input VAT amounting to ₱325,870 (Note 11).

Prepaid expenses include prepaid insurance, rent and agriculture related project expenses. In 2020 and 2019, the Association written-off certain prepayments related to coconut propagation amounting to nil and ₱962,454, respectively (Note 11).

6. Property and Equipment

As of December 31, 2020

	Office Furniture and Fixtures	Office Machinery and Equipment	Transportation Equipment	PCEx Equipment	Total
Cost:					
Balances at beginning of year	₱223,296	₱907,651	₱605,739	₱-	₱1,736,686
Additions	-	50,000	-	532,240	582,240
Disposals	(11,997)	(176,829)	(605,739)	-	(794,565)
Balances at end of year	211,299	780,822	-	532,240	1,524,361
Accumulated depreciation:					
Balances at beginning of year	₱109,734	₱673,859	₱245,260	₱-	₱1,028,853
Depreciation (Notes 10 and 11)	38,543	189,160	36,799	65,818	330,320
Disposals	(5,399)	(170,970)	(282,059)	-	(458,428)
Balances at end of year	142,878	692,049	-	65,818	900,745
Net book values	₱68,421	₱88,773	₱-	₱466,422	₱623,616



As of December 31, 2019

	Office Furniture and Fixtures	Office Machinery and Equipment	Transportation Equipment	Total
Cost:				
Balances at beginning of year	₱199,301	₱907,651	₱605,739	₱1,712,691
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	₱113,562	₱233,792	₱360,479	₱707,833

PCEx Equipment pertains to costs incurred for the purchases of equipment such as baler, weighing scale, and container van which is an initiative of the Association in fulfilling the conditions set out in the grant agreement with Give2Asia entered in July 2020.

Fully depreciated property and equipment are retained in the books until they are no longer in use. As at December 31, 2020 and 2019, the cost of fully depreciated property and equipment that is still being used in the operations is the Electronic Data Processing (EDP) equipment amounted to ₱5,150.

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

	2020	2019
Accrued expenses	₱119,777	₱579,642
Others	62,183	540,175
	₱181,960	₱1,119,817

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	2020	₱841,629	₱-
	2019	896,000	-
b. Advances from GHI	2020	979,352	(344,465)
	2019	1,193,292	(276,511)
c. Advances to GHI	2020	60,811	9,275
	2019	149,446	1,595
d. Donations	2020	1,596,414	-
	2019	6,125,000	-
HOPEx Environment Group, Inc. (HOPEx)			
c. Advances to HOPEx	2020	-	15,444
	2019	-	-
Officers			
b. Advances	2020	-	-
	2019	-	(176,276)

The Association, GHI and HOPEx 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 2020 and 2019 shared service fee incurred under "General and administrative expenses" account amounted to ₱236,398 and ₱192,186, respectively (Note 11). Shared service fee incurred under "Project expense" account amounted to ₱605,231 and ₱607,814 in 2020 and 2019, 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 2020 and 2019, the Association received donation from GHI amounting to ₱1,596,414 and ₱6,125,000, 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 ₱22,390,576 and ₱18,226,474 in 2020 and 2019, 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. Project expenses in 2020 and 2019 are as follows:

	2020	2019
Adopt-a-school program	₱3,185,109	₱10,400,396
Agricultural program:		
Personnel costs (Note 12)	3,539,096	7,990,399
Farm inputs	1,953,411	2,671,496
Shared services (Note 9)	605,231	607,814
Professional fees	593,036	-
Insurance	311,451	511,697
Depreciation (Note 6)	285,130	322,521
Rental (Note 14)	264,028	769,083
Telephone and communication	109,431	298,199
Office supplies	61,225	83,661
Activation expenses	43,775	512,533
Relief drive activities	1,594,022	-
Others	1,741,256	1,246,617
	11,101,092	15,014,020
	₱14,286,201	₱25,414,416

In 2020, the Association received a donation in-kind from its affiliate, GHI, amounting to ₱1,596,414 which has been subsequently donated to DepEd.



11. General and Administrative Expenses

	2020	2019
Personnel costs (Note 12)	₱756,330	₱1,719,424
Loss on write-off of assets (Note 5)	325,870	962,454
Shared services (Note 9)	236,398	192,186
Professional fees	51,299	-
Depreciation (Note 6)	45,190	60,530
Bank charges	39,654	6,569
Telephone and communication	26,103	62,366
Insurance	-	5,293
Others	127,943	220,643
	₱1,608,787	₱3,229,465

In 2020 and 2019, the Association recognized impairment on other current assets amounting to ₱325,870 and ₱962,454, respectively (Note 5).

12. Personnel Costs

	2020	2019
Project expense (Note 10):		
Salaries and wages	₱2,313,084	₱5,381,362
Other employee benefits	1,226,012	2,609,037
	3,539,096	7,990,399
General and administrative expenses (Note 11):		
Salaries and wages	541,417	1,409,417
Other employee benefits	214,913	310,007
	756,330	1,719,424
	₱4,295,426	₱9,709,823

13. Income Tax

In 2020 and 2019, the provision for income tax amounted to nil. 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:

	2020	2019
Income (Loss) at statutory income tax rate of 30%	₱2,008,158	(₱3,096,208)
Additions to (reductions in) income tax resulting from:		
NOLCO	3,193,290	-
Nondeductible expenses	33,651	318,177
Expired NOLCO and MCIT	-	297,912
Movement in unrecognized deferred tax asset	-	4,063,162
Interest income subjected to final tax	(59,482)	(36,668)
Income not subjected to tax under Section 30 of the 1997 Tax Code	(5,175,617)	(1,546,375)
	₱-	₱-



On September 11, 2020, President Rodrigo R. Duterte signed into law RA No. 11494, *An Act Providing for COVID-19 Response and Recovery Interventions and Providing Mechanisms to Accelerate the Recovery and Bolster the Resiliency of the Philippine Economy, Providing Funds therefor, and for Other Purposes*, which shall be known and cited as “Bayanihan to Recover As One Act”. Section 4(bbbb) of the law provides for the extension of the period within which a business or enterprise can carry-over the NOLCO it incurred for taxable years 2020 and 2021 as a deduction from gross income, from a period of three (3) years to a period of five (5) consecutive taxable years immediately following the year of such loss.

As of December 31, 2020, the Association has incurred NOLCO in taxable year 2020 which can be claimed as deduction from regular taxable income for the next five (5) consecutive taxable years pursuant to the “Bayanihan Recover as One Act”, as follows:

Period of Recognition	Availment Period	Amount	Applied	Expired	Balance
2020	2021-2025	₱10,644,299	₱-	₱-	₱10,644,299

As of December 31, 2020, the Association has incurred NOLCO before taxable year 2020 which can be claimed as deduction from regular taxable income for the next three (3) consecutive taxable years, 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	-
		₱41,873,689	₱-	₱7,370,011	₱34,503,678

As at December 31, 2020, 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	-
		₱221	₱-	₱100	₱121

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 ₱264,028 and ₱769,083 in 2020 and 2019, respectively (Note 10).



15. Events After Reporting Date

“Corporate Recovery and Tax Incentives for Enterprises Act” or “CREATE” Law

President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. RA 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE act which have an impact on the Association:

- Effective July 1, 2020, RCIT rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5 million and with total assets not exceeding ₱100 million (excluding land on which the business entity’s office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%;
- MCIT rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023; and

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020.

The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as at December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Association would have been subjected to lower MCIT rate of 1% effective July 1, 2020.

Based on the provisions of Revenue Regulations (RR) No. 50-2021 dated April 8, 2021 issued by the BIR, the prorated MCIT rate of the Association for CY2020 is 1.5%. This will result in lower provision for current income tax for the year ended December 31, 2020 and lower income tax payable as of December 31, 2020, which will be reflected in the Association’s 2020 annual income tax return but will only be recognized for financial reporting purposes in its 2021 financial statements. No income tax was due from the Association during the year.

16. Supplementary Information Required Under Revenue Regulations (RR) 34-2020 and 15-2010

Requirements under Revenue Regulation (RR) 34-2020

On December 18, 2020, BIR issued RR 34-2020 prescribing the guidelines and procedures for the submission of BIR Form No. 1709, Transfer Pricing Documentation (TPD) and other supporting documents.

Under Section 2 of RR 34-2020, the following are required to file and submit the RPT Form, together with the Annual Income Tax Return (AITR):

- a. Large Taxpayers;
- b. Taxpayers enjoying tax incentives, i.e. Board of Investments (BOI)-registered and economic zone enterprises, those enjoying Income Tax Holiday (ITH) or subject to preferential income tax rate;



- c. Taxpayers reporting net operating losses for the current taxable year and the immediately preceding two (2) consecutive taxable years; and
- d. A related party, as defined under Section 3 of Revenue Regulations (RR) No. 19-2020, which has transactions with (a), (b) or (c). For this purpose, key management personnel (KMP), as defined under Section 3(7) of RR No. 19-2020, shall no longer be required to file and submit the RPT Form, nor shall there be any requirement to report any transaction between KMP and the reporting entity/parent company of the latter in the RPT Form.

As at December 31, 2020, the Association is not covered by the requirements and procedures for related party transactions provided under the RR 34-2020.

Requirements under RR 15-2010

On November 25, 2010, the BIR issued 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 2020.
- b. Details of input VAT consist of:

Input VAT, beginning of the year	₱293,284
Current year’s domestic purchases/payments for:	
Goods other than capital goods	—
Domestic purchases of services	32,586
	325,870
<u>Application to output VAT</u>	—
<u>Balances at the end of year</u>	₱325,870

In 2020, the Association written-off unused input VAT amounting to ₱325,870 (Notes 5 and 11).

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	₱17,067
BIR annual registration	500
	₱17,567



Withholding Taxes

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

Withholding taxes on compensation and benefits	₱69,557
<u>Expanded withholding taxes</u>	<u>25,654</u>
	<u>₱95,211</u>

Tax Assessment

The Association did not receive any final tax assessments in 2020, nor did it have tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the administration of BIR.

