

**Friends of Hope, Inc.**  
*(A Nonstock, Nonprofit Association)*

**Financial Statements**  
**December 31, 2022**  
*(With Comparative Figures for 2021)*

With independent auditors' report provided by



**REYES TACANDONG & Co.**  
FIRM PRINCIPLES. WISE SOLUTIONS.

# COVER SHEET

## for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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**COMPANY NAME**

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

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Form Type

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Department requiring the report

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Secondary License Type, If Applicable

N	/	A
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**COMPANY INFORMATION**

Association's Email Address	Association's Telephone Number	Mobile Number
contact@friendsofhope.ph	8843-8748	0917-834-1255
No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
N/A	2 <sup>nd</sup> Monday of January	12/31

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

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

**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.

**FRIENDS OF HOPE, INC.**  
(A Non-stock, Non-profit Organization)

**STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCES**

**DECEMBER 31, 2022**

**(With Comparative Figures for 2021)**

	Note	2022	2021
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	3	<b>₱32,002,473</b>	₱12,326,183
Advances to employees		<b>27,032</b>	97,129
Due from related parties	7	<b>774,433</b>	1,582,454
Other current assets	4	<b>107,819</b>	158,020
Total Current Assets		<b>32,911,757</b>	36,463,786
<b>Noncurrent Assets</b>			
Property and equipment	5	<b>7,327,620</b>	410,447
Security deposits	11	<b>130,000</b>	16,000
Total Noncurrent Assets		<b>7,457,620</b>	426,447
		<b>₱40,369,377</b>	₱36,890,233
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Current Liabilities</b>			
Accounts and other payables	6	<b>₱854,351</b>	₱309,713
Due to related parties	7	<b>278,838</b>	2,989,041
Total Current Liabilities		<b>1,133,189</b>	3,298,754
<b>Fund Balance</b>		<b>39,236,188</b>	33,591,479
<b>TOTAL LIABILITIES AND FUND BALANCES</b>		<b>₱40,369,377</b>	₱36,890,233

*See accompanying Notes to Financial Statements.*

**FRIENDS OF HOPE, INC.**  
**(A Non-stock, Non-profit Organization)**

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**STATEMENT OF INCOME AND EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
**(With Comparative Figures for 2021)**

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	Note	2022	2021
<b>DONATIONS</b>		<b>₱38,362,135</b>	<b>₱28,715,280</b>
<b>INTEREST INCOME</b>	3	<b>200,510</b>	101,414
<b>TOTAL REVENUES</b>		<b>38,562,645</b>	28,816,694
<b>PROJECT EXPENSES</b>	8	<b>(29,401,195)</b>	(28,029,487)
<b>OPERATING EXPENSES</b>	9	<b>(3,516,741)</b>	(1,257,663)
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES</b>		<b>₱5,644,709</b>	(₱470,456)

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*See accompanying Notes to Financial Statements.*

**FRIENDS OF HOPE, INC.**  
**(A Non-stock, Non-profit Organization)**

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**STATEMENT OF CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
**(With Comparative Figures for 2021)**

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	2022	2021
<b>Members' Contribution</b>	<b>₱10,000</b>	<b>₱10,000</b>
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<b>Cumulative Excess of Revenues Over Expenses</b>		
Balance at beginning of year	33,581,479	34,051,935
Excess (deficiency) of revenues over expenses for the year	5,644,709	(470,456)
Balance at end of year	39,226,188	33,581,479
	<b>₱39,236,188</b>	<b>₱33,591,479</b>

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*See accompanying Notes to Financial Statements.*

**FRIENDS OF HOPE, INC.**  
(A Non-stock, Non-profit Organization)

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
(With Comparative Figures for 2021)

	Note	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Excess (deficiency) of revenues over expenses		<b>₱5,644,709</b>	(₱470,456)
Adjustments for:			
Depreciation	5	<b>1,009,981</b>	275,239
Interest income	3	<b>(200,510)</b>	(101,414)
Operating income (loss) before changes in working capital		<b>6,454,180</b>	(296,631)
Decrease (increase) in:			
Advances to employees		<b>70,097</b>	(54,921)
Due from related parties		<b>808,021</b>	(1,557,735)
Other current assets		<b>50,201</b>	19,638
Increase in accounts and other payables		<b>544,638</b>	127,753
Net cash generated from (used in) operations		<b>7,927,137</b>	(1,761,896)
Interest received		<b>200,510</b>	101,414
Net cash provided by (used in) operating activities		<b>8,127,647</b>	(1,660,482)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions in:			
Property and equipment	5	<b>(7,927,154)</b>	(62,070)
Security deposit		<b>(114,000)</b>	-
Cash used in investing activities		<b>(8,041,154)</b>	(62,070)
<b>CASH FLOWS FROM A FINANCING ACTIVITY</b>			
Increase (decrease) in due to related parties		<b>(2,710,203)</b>	2,644,576
<b>NET INCREASE (DECREASE) IN CASH</b>		<b>(2,623,710)</b>	922,024
<b>CASH AT BEGINNING OF YEAR</b>		<b>34,626,183</b>	33,704,159
<b>CASH AT END OF YEAR</b>	3	<b>₱32,002,473</b>	₱34,626,183

See accompanying Notes to Financial Statements.

**FRIENDS OF HOPE, INC.**  
**(A Non-stock, Non-profit Organization)**

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**NOTES TO FINANCIAL STATEMENTS**  
**AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2022**  
**(With Comparative Information for 2021)**

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**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, whether in cash and/or through property, all profits from any dealings, activities or processes undertaken by the Association. All profits generated therefrom shall be used for the aforementioned charitable purposes and the operating expenses of the Association.

As a non-stock, non-profit institution organized for the purpose stated above, no part of the income of the Association inures the benefit of any officer, member, or private individual. As such, the Association is exempt from payment of income tax on income related to its operations and activities as provided for under Section 30 (C) of the National Internal Revenue Code of 1997, as amended.

In addition, the Philippine Council for NGO Certification (PCNC) accredited the Association on May 10, 2018 valid for five (5) years from the date of issuance. Consequently, the Association secured a certificate of registration from Bureau of Internal Revenues (BIR), as a donee institution valid until June 13, 2023. Thus, entitling the Association to the benefits of Section 30 of the National Internal Revenue Code of 1997, as amended. As of May 18, 2023, the Association is in the process of applying for accreditation with the PCNC.

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 as at and for the year ended December 31, 2022 (with comparative figures of 2021) were authorized for issuance by the Board of Trustees (BOT) on May 18, 2023.

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**2. Summary of Significant Accounting Policies**

**Basis of Preparation**

The financial statements have been prepared in accordance with the Philippine Financial Reporting Standards for Small Entities (PFRS for SE), issued by the Philippine Financial and Sustainability Reporting Standards Council (formerly Financial Reporting Standards Council) and adopted by the SEC, including SEC pronouncements.

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.

**Measurement Basis**

The financial statements are presented in Philippine Peso (Peso), the Association's functional and presentation currency. All values are rounded to the nearest Peso, except when otherwise stated.

The financial statements of the Association have been prepared on a historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets and fair value of the consideration received in exchange for incurring liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the transaction date.

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### **Basic Financial Instruments**

The Association recognizes a financial asset and a financial liability only when the Association becomes a party to the contractual provisions of the instrument.

The Association initially measures its financial assets and liabilities at the transaction prices unless the arrangement constitutes, in effect, a financing transaction. After initial measurement, financial assets and liabilities are measured at the undiscounted amount of cash or other consideration expected to be received or paid, less any allowance for impairment.

If the arrangement constitutes a financing transaction, the Association initially measures the financial assets and liability at the present value of the future payments discounted at a market rate of interest for a similar instrument. These are subsequently measured at amortized cost using the effective interest method.

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized by the Company when:

- The rights to the cash flows from the assets have expired or are settled; or
- The Association has transferred substantially all the risks and rewards of ownership of the financial asset.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

Any difference between the carrying amount and the fair value of the consideration is recognized in the statements of income.

The Association classifies its cash and cash equivalents, trade and other receivables, security deposits and trade and other payables (excluding provisions for probable loss and payable to government agencies) as basic financial instruments.

*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.

*Time Deposit.* Time deposit is cash placement with maturities at for more two (2) years and earn interest at the prevailing investment rates. Time deposit has no automatic roll-over and can be withdrawn anytime.



*Advances to Employees and Due from Related Parties.* Advances to employees are unsecured, non-interest-bearing cash advances for business related expenditures. Advances to employees and due from related parties are recognized initially at transaction price and are subsequently measured at undiscounted amount of cash or other consideration expected to be received less provision for impairment loss, if any.

*Accounts and Other Payables and Amounts Due to Related Parties.* Accounts and other payables and amounts due to related parties are obligations under normal credit terms measured at undiscounted amounts and recognized in the year in which the related goods or services are received or when a legally enforceable claim against the Association is established or when the corresponding assets or expenses are recognized.

#### **Impairment of Basic Financial Instruments**

The Association assesses at the end of each reporting period whether there is objective evidence of impairment of any financial assets or group of assets that are measured at cost or amortized cost. If there is objective evidence of impairment, an impairment loss is recognized in the statements of income immediately.

A financial asset or group of financial assets is deemed impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be estimated reliably.

The impairment loss for an instrument measured at amortized cost is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

For an instrument measured at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate (which will necessarily be an approximation) of the amount (which might be zero) that the entity would have been received for the asset if it were to be sold at the reporting date.

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss shall be reversed either directly or by adjusting an allowance account. The reversal shall not result in a carrying amount of the financial asset (net of any allowance account) that exceeds what the carrying amount would have been had the impairment not been recognized. The amount of the reversal shall be recognized in the statement of income and expenses immediately.

#### **Other Current Assets**

Other current assets consist of prepaid expenses and input value-added tax (VAT). Other current assets carried at face value.

*Prepayments.* Prepayments are expenses paid in advance and recorded as assets before these are utilized. Prepayments are apportioned over the period covered by the payment and included in the statement of income and expenses when incurred. Prepayments that are expected to be realized for no more than 12 months after the financial reporting period are classified as current assets. Otherwise, these are classified as noncurrent assets.

*Input VAT.* Income, expenses and assets are recognized net of the amount of VAT except:

- where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from the taxation authority is included as part of “Other current assets” account in the statement of assets, liabilities, and fund balances.

### **Property and Equipment**

Property and equipment are stated at cost less accumulated depreciation, amortization, and any impairment loss.

The initial cost of an item of property and equipment consists of its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally charged to operations in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted to an increase in future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation of property and equipment begins when it becomes available for use i.e. when it is at the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation and amortization cease at the earlier of the date the item is classified as held for sale and the date the item is derecognized.

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

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

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

Fully depreciated property and equipment are retained in the accounts until these are no longer in use and no further charge for depreciation is made in respect of those property and equipment.

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

### **Impairment of Property and Equipment**

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.

### **Fund Balance**

*Members' Contribution.* Member's contribution represents the initial contribution of the members upon incorporation.

*Cumulative Excess of Revenues Over Expenses.* Cumulative excess of revenues over expenses represents accumulated excess (deficiency) of revenues over expenses. These are unrestricted funds that are expended in the near term and will be used for operating purposes of the Association.

### **Revenue Recognition**

Revenue 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. Revenue 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 revenue is recognized:

*Donations.* 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 Recognition**

Costs and expenses are recognized in the statement of income and expenses upon consumption of goods, utilization of services or at the date the costs and expenses are incurred.

*Project Expenses.* Project expenses pertain to costs directly attributable to the ongoing programs for the Association's charitable endeavors. It is recognized when the cost to execute the programs are incurred.

*Operating Expenses.* Operating expenses constitute costs of administering the Association and are recognized as expense when incurred.

### **Related Party Transactions**

Related party transactions consist of transfers of resources, services or obligations between the Association and its related parties, regardless of whether a price is charged.

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

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on 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.

### **Short-term Employee Benefits**

The Association provides short-term benefits to its employees in the form of basic 13th month pay, bonuses, leave credits, employer's share on government contributions and other short-term benefits. Short-term employee benefits liabilities are measured on an undiscounted basis and are expensed as the related service is provided.

### **Provisions**

Provisions are recognized when the Association has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

### **Contingencies**

Contingent liabilities are not recognized in the financial statements but are disclosed in the notes to financial statements unless the possibility an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes to financial statements when an inflow of economic benefits is probable.

### **Events after the Reporting Date**

Events after the reporting date that provide additional information about the Association's financial position as at the reporting date (adjusting events) are reflected in the financial statements. Events after the reporting date that are not adjusting events are disclosed in the notes to financial statements when material.

### 3. Cash

This account consists of:

	2022	2021
Cash on hand	P181,739	P73,909
Cash in banks	11,502,567	12,100,758
Cash in online accounts	18,167	151,516
	<b>P11,702,473</b>	<b>P12,326,183</b>

Cash in banks earn interest at the respective bank deposit rates.

The Association has time deposit amounting to P20.3 million as at December 31, 2022 (P22.3 million as at December 31, 2021). Time deposit is made for a period of two (2) years and earn interest at 1.12% per annum with no automatic roll-over and can be withdrawn anytime.

Interest income earned from cash in bank and time deposit amounted to P200,510 in 2022 (P101,414 in 2021).

### 4. Other Current Assets

This account consists of:

	2022	2021
Prepaid expenses	P101,019	P41,773
Input VAT	6,800	116,247
	<b>P107,819</b>	<b>P158,020</b>

Prepaid expenses include prepaid insurance and prepaid taxes.

In 2022, the Association written off input VAT amounting to P116,247.

### 5. Property and Equipment

Movement in this account are as follows:

	Office Furniture and Fixtures	Office Machinery and Equipment	Aling Tindera Equipment	Total
<b>Cost</b>				
Balances at beginning of year	P211,299	P790,812	P584,320	P1,586,431
Additions	-	129,836	7,797,318	7,927,154
Retirement	-	(5,150)	-	(5,150)
Balances at end of year	211,299	915,498	8,381,638	9,508,435
<b>Accumulated depreciation</b>				
Balances at beginning of year	181,222	766,030	228,732	1,175,984
Depreciation	23,122	39,540	947,319	1,009,981
Retirement	-	(5,150)	-	(5,150)
Balances at end of year	204,344	800,420	1,176,051	2,180,815
<b>Carrying amounts</b>	<b>P6,955</b>	<b>P115,078</b>	<b>P7,205,587</b>	<b>P7,327,620</b>

In 2021, additions to property and equipment amounted to ₱62,070. Depreciation in 2021 amounted to ₱275,239.

Depreciation is allocated as follows:

	Note	2022	2021
Project expenses	8	<b>₱992,693</b>	₱87,257
Operating expenses	9	<b>17,289</b>	187,982
		<b>₱1,009,981</b>	<b>₱275,239</b>

In 2022, the Association retired fully depreciated property and equipment with cost of ₱5,150.

## 6. Accounts and Other Payables

	2022	2021
Accrued expenses	<b>₱766,706</b>	₱263,952
Payable to government agencies	<b>87,645</b>	45,761
	<b>₱854,351</b>	<b>₱309,713</b>

Accrued expenses consist of salaries and wages, communication expense, classroom project expenses and purchases for ongoing programs and are normally settled within one year.

Payable to government agencies consists of statutory contributions and other taxes payable which are settled in the subsequent month.

## 7. Related Party Transactions

The Association, in the normal course of business, has transactions with related parties as summarized below.

Related Party	Nature of Transactions	Year	Amount of Transactions	Due from Related Parties	Due to Related Parties
<b>GenerationHope, Inc. (GHI)</b> <i>(Entity under common control)</i>	Service fees	<b>2022</b>	<b>₱1,668,058</b>	₱-	₱-
		2021	₱695,271	₱-	₱-
	Cash advances	<b>2022</b>	<b>278,838</b>	-	<b>278,838</b>
		2021	1,277,927	1,465,888	1,277,927
	Donations	<b>2022</b>	-	-	-
		2021	911,949	-	-
<b>HOPEx Environment Group, Inc. (HOPEx)</b> <i>(Entity under common control)</i>	Service fees	<b>2022</b>	<b>49,557</b>	-	-
		2021	329,274	-	-
	Cash advances	<b>2022</b>	<b>774,433</b>	<b>774,433</b>	-
		2021	1,711,114	116,566	1,711,114
	Donations	<b>2022</b>	<b>20,931,028</b>	-	-
		2021	-	-	-
		<b>2022</b>		<b>₱774,433</b>	<b>₱278,838</b>
		2021		₱1,582,454	₱2,989,041

The following are the significant related party transactions of the Association:

- a. The Association entered into a shared services agreement with GHI, HOPEX and PCX Singapore PTE Ltd. to provide services such as marketing and communication, strategic partnership, human resources, messenger and accounting services. Service fees are noninterest-bearing terms which are payable upon receipt of billing.

Service fees recognized under in the statement of income and expenses follows:

	Note	2022	2021
Project expenses		<b>₱1,267,452</b>	₱633,148
Operating expenses	9	<b>450,163</b>	473,631
		<b>₱1,717,615</b>	₱1,106,779

- b. The Association has advances to and from GHI and HOPEX made for working capital requirements.
- c. The Association receives donation income from HOPEX and GHI that will be used to finance classroom and agriculture related project expenses together with other donations received by third party donors.

The Association has not recognized any impairment losses on amounts due from related parties.

#### **Terms and Conditions**

The related party transactions and balances are noninterest-bearing, unsecured, payable on demand and will be settled in cash.

#### **Compensation of Key Management Personnel**

There was no compensation to the Association's key management personnel in 2022 and 2021.

#### **Revenue Regulations (RR) No.19-2020 and RR No. 34-2020**

In July 2020, the Bureau of Internal Revenue (BIR) issued RR No. 19-2020, prescribing the use of the new BIR Form 1709, *Information Return on Related Party Transactions*, and the required documentary attachments which include but not limited to transfer pricing documentation.

Subsequently, the BIR issued RR No. 34-2020 prescribing the guidelines and procedures for the submission of BIR Form 1709, transfer pricing documentation and other supporting documentations.

Under RR No. 34-2020, the Association is not required to file and submit BIR Form 1709 as at and for the year ended December 31, 2022, because the Association is exempt from income tax under Section 30 to the NIRC.

## 8. Project Expenses

This account consists of:

	Note	2022	2021
Donated seedlings		<b>₱9,179,136</b>	₱8,913,466
Outside services		<b>6,039,114</b>	12,908,745
Personnel costs	10	<b>4,551,328</b>	3,680,556
Transportation and travel		<b>3,392,382</b>	68,113
Professional fees		<b>2,252,746</b>	639,618
Service fees		<b>1,267,452</b>	633,148
Depreciation	5	<b>992,693</b>	87,257
Rental	11	<b>296,669</b>	265,063
Others		<b>1,429,675</b>	833,521
		<b>₱29,401,195</b>	₱28,029,487

Project expenses were incurred for the following programs:

	Note	2022	2021
Direct costs:			
Adopt-a-school program		<b>₱6,039,114</b>	₱12,908,745
Agricultural program		<b>9,179,136</b>	8,913,466
Aling tindera program		<b>4,971,037</b>	–
Total direct costs		<b>20,189,287</b>	21,822,211
Personnel costs		<b>4,551,328</b>	3,680,556
Overhead		<b>4,660,580</b>	2,526,720
		<b>₱29,401,195</b>	₱28,029,487

The Association has 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.

## 9. Operating Expenses

This account consists of:

	Note	2022	2021
Advertising		<b>₱1,329,467</b>	₱31,667
Rental		<b>664,000</b>	–
Service fees		<b>450,163</b>	473,631
Transportation and travel		<b>326,356</b>	5,594
Personnel costs	10	<b>224,409</b>	286,207
Taxes and licenses		<b>136,339</b>	87,920
Communication		<b>82,318</b>	15,040
Depreciation	5	<b>17,289</b>	187,982
Office supplies		<b>17,209</b>	2,907
Others		<b>269,191</b>	145,291
		<b>₱3,516,741</b>	₱1,257,663



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## 10. Personnel Costs

This account is presented under the following accounts in the statement of income and expenses:

	Note	2022	2021
Project expenses:	10		
Salaries and wages		<b>₱3,179,887</b>	₱2,804,086
Other employee benefits		<b>1,371,441</b>	876,470
		<b>4,551,328</b>	3,680,556
Operating expenses:	11		
Salaries and wages		<b>198,182</b>	234,706
Other employee benefits		<b>26,227</b>	51,501
		<b>224,409</b>	286,207
		<b>₱4,775,737</b>	₱3,966,763

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## 11. Lease Agreements

The Association has entered into lease agreements for its office space and car rentals for a period ranging from three (3) to twelve (12) months renewable upon mutual agreement of the Association and lessors.

Security deposits amounted to ₱130,000 as at December 31, 2022 (₱16,000 as at December 31, 2021) which is refundable at the end of the lease term.

Details of rent expense recognized in the statement of income and expenses are as follows:

	Note	2022	2021
Project expenses		<b>₱296,669</b>	₱265,063
Operating expenses	9	<b>664,000</b>	–
		<b>₱960,669</b>	₱265,063

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**12. Supplementary Information Under Revenue Regulations No. 15-2010 by the Bureau of Internal Revenue**

The information for the year 2022 as required by the above Regulations is presented below:

**Output VAT**

The Association has no revenues subject to output VAT for the year ended December 31, 2022.

**Input VAT**

Movements in input VAT for the year ended December 31, 2022 are as follows:

Balance at beginning of the year	₱-
Add: Current year's domestic purchases/payments for purchase of services	7,800
Less: Applied to compromise penalty	1,000
<u>Balance at the end of year</u>	<u>₱6,800</u>

**Other Local and National Taxes**

Details of the Company's other local and national taxes paid or accrued for the year ended December 31, 2022 are as follows:

Permits and licenses	₱135,839
BIR annual registration	500
<u></u>	<u>₱136,339</u>

The above local and national taxes are presented as in "Taxes and licenses" line item under "Operating expenses" account in the statement of income and expenses.

**Withholding Taxes**

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

Expanded withholding taxes	₱94,574
Withholding taxes on compensation and benefits	90,486
<u></u>	<u>₱185,060</u>

**Tax Assessments and Tax Cases**

The Association has no outstanding tax assessments and pending tax cases as at and for the year ended December 31, 2022.