

VALLE VERDE COUNTRY CLUB, INC.

Capt Henry P. Javier St., Bn. Ugong, Pasig City
Trunkline: 8631 1711 to 13; 8631 3401 to 05

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Valle Verde Country Club, Inc. is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended September 30, 2021 and 2020, 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 Club'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 Club or to cease operations, or has no realistic alternative but to do so.

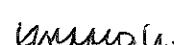
The Board of Directors is responsible for overseeing the Club's financial reporting process.

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

AMC & ASSOCIATES, the independent auditor appointed by the stockholders, has audited the financial statements of the Club in accordance with Philippine Standards on Auditing and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.



FRANCISCO C. EIZMENDI, JR.
Chairman and President



EDMIDIO V. RAMOS JR.
Treasurer

Signed this 7th day of January 2022



Financial Statements

VALLE VERDE COUNTRY CLUB, INC.
(A Non-Profit Proprietary Club)

September 30, 2021 and 2020



REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Members
Valle Verde Country Club, Inc.
(A Non-Profit Proprietary Club)

Captain Henry P. Javier St.
Barrio Ugong, Pasig City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Valle Verde Country Club, Inc.**, (the "Club") which comprise the statements of financial position as at September 30, 2021 and 2020 the statements of comprehensive income, statements of changes in members' equity and statements of cash flows for the years ended September 30, 2021 and 2020, 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 Club as at September 30, 2021 and 2020, and its financial performance and its cash flows for the years ended September 30, 2021 and 2020 in accordance with Philippine Financial Reporting Standards (PFRS).

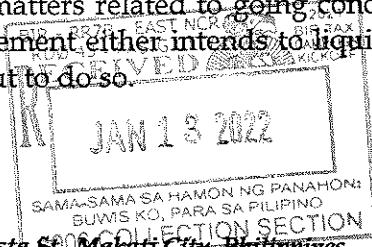
Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Club 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 audits 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, 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 Club'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 Club or to cease operations, or has no realistic alternative but to do so.





Those charged with governance are responsible for overseeing the Club's financial reporting process.

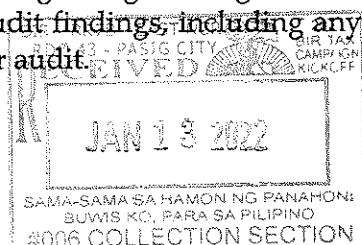
Auditors' Responsibilities for the Audit of the Financial Statements

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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Club'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 Club's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Club 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.





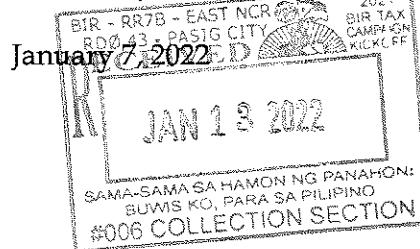
Certified Public Accountants

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information for the year ended September 30, 2021 required by the Bureau of Internal Revenue as disclosed in Note 23 of the financial statements is presented for purposes of additional analysis and is not a required part of the financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the management. The supplementary information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

AMC & ASSOCIATES

By: *Ariel D. Gonzales*
Partner
CPA Certification No. 89570
TIN 169-688-077-000
PTR No. 8857523, Jan. 6, 2022, Makati City
BIR Accreditation No. 08-003584-1-2021
(valid until Dec. 19, 2024)
SEC Accreditation No. 89570 (Group A)
(valid until Dec. 31, 2025)
IC Accreditation No. 89570-IC (Group A)
(valid until Dec. 31, 2024)
BSP Accreditation No. 89570-BSP (Group B)
(valid until Dec. 31, 2025)



FIRM ACCREDITATION

Aquino, Mata, Calica & Associates

BOA Accreditation No. 4275 - valid until June 28, 2023

BIR Accreditation No. 08-002582-001-2020 - valid until October 7, 2023

SEC Accreditation No. 0390-F (Group A) - January 16, 2020 to January 15, 2023

IC Accreditation No. 4275-IC (Group A) - valid until December 31, 2024

BSP Accreditation No. 4275-BSP (Group B) - valid until December 31, 2025

CDA CEA No. 075 - AF - June 2, 2021 to June 1, 2024

VALLE VERDE COUNTRY CLUB, INC.
(A Non-Profit Proprietary Club)
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2021 AND 2020
(Amounts in Philippine Peso)

2021 **2020**

ASSETS

CURRENT ASSETS

Cash (Note 4)	P 14,053,148	P 9,563,876
Trade and other receivables (Note 5)	22,892,174	20,662,201
Inventories (Note 6)	706,988	367,787
Prepayments and other current assets (Note 7)	<u>2,417,004</u>	<u>2,394,681</u>
 Total Current Assets	 <u>40,069,314</u>	 <u>32,988,545</u>

NON-CURRENT ASSETS

Property and equipment (Note 8)	34,147,359	35,626,290
Intangible assets (Note 9)	1,720,839	2,393,468
Deferred tax asset (Note 15)	<u>3,948,659</u>	<u>5,368,694</u>
 Total Non-current Assets	 <u>39,816,857</u>	 <u>43,388,452</u>

TOTAL ASSETS

P 79,886,171 **P 76,376,997**

LIABILITIES AND MEMBERS' EQUITY

CURRENT LIABILITY

Trade and other payables (Note 10)	P 24,695,322	P 26,300,580
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NON-CURRENT LIABILITIES

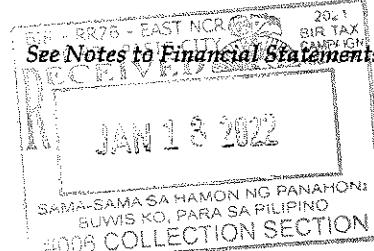
Retirement benefit obligation (Note 11)	19,743,295	17,895,649
Deposit for membership fee certificates subscription (Note 16)	<u>27,479,806</u>	<u>27,479,806</u>
 Total Non-current Liabilities	 <u>47,223,101</u>	 <u>45,375,455</u>
 Total Liabilities	 <u>71,918,423</u>	 <u>71,676,035</u>

MEMBERS' EQUITY

Membership fee certificates (Note 16)	48,591,924	46,642,857
Additional paid-in (Note 16)	15,789,722	13,738,789
Accumulated comprehensive loss (Note 16)	(4,328,958)	(1,599,523)
Deficit	(52,084,940)	(54,081,161)
 Total Members' Equity	 <u>7,967,748</u>	 <u>4,700,962</u>

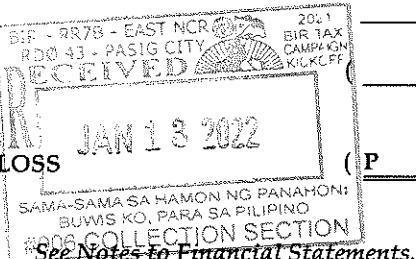
TOTAL LIABILITIES AND MEMBERS' EQUITY

P 79,886,171 **P 76,376,997**



VALLE VERDE COUNTRY CLUB, INC.
(A Non-Profit Proprietary Club)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020
(Amounts in Philippine Peso)

	<u>2021</u>	<u>2020</u>
REVENUES		
Membership dues	P 56,218,603	P 57,566,584
Sale of food and beverages	18,577,385	32,600,010
Rentals (Note 18)	3,553,326	3,136,275
Service fees	3,358,437	5,635,221
Other revenues (Note 13)	<u>7,123,713</u>	<u>5,715,578</u>
	<u>88,831,464</u>	<u>104,653,668</u>
COST AND OTHER OPERATING EXPENSES		
Salaries and employees' benefits (Note 11)	39,995,414	46,112,997
Cost of food and beverages (Note 12)	11,398,355	13,870,576
Taxes and licenses (Note 23)	5,996,316	5,692,576
Fuel, light and water	5,492,367	7,126,436
Depreciation and amortization (Notes 8 and 9)	4,458,200	4,616,305
Outside services	3,487,531	5,576,309
Other operating expenses (Note 13)	<u>14,351,034</u>	<u>22,117,837</u>
	<u>85,179,217</u>	<u>105,113,036</u>
PROFIT (LOSS) FROM OPERATIONS	3,652,247	(459,368)
FINANCE INCOME (Note 14)	<u>164,516</u>	<u>481,127</u>
PROFIT BEFORE TAX	3,816,763	21,759
TAX EXPENSE (Note 15)	<u>1,820,542</u>	<u>351,494</u>
NET PROFIT (LOSS)	<u>1,996,221</u>	(<u>329,735</u>)
OTHER COMPREHENSIVE LOSS		
Actuarial loss on		
retirement benefit obligation (Note 11)	(3,126,165)	-
Remeasurement of deferred tax of accumulated		
other comprehensive loss (Note 15)	(228,503)	-
Tax expense (Note 15)	<u>625,233</u>	-
	<u>2,729,435)</u>	-
TOTAL COMPREHENSIVE LOSS	(P 733,214)	(P 329,735)





VALLE VERDE COUNTRY CLUB, INC.
(A Non-Profit Proprietary Club)
STATEMENTS OF CHANGES IN MEMBERS' EQUITY
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020
(Amounts in Philippine Peso)

	Membership Fee Certificate	Additional Paid-in	Accumulated Comprehensive Loss	Deficit	Total
Balance at October 1, 2020					
As previously reported (Note 16)	P 46,642,857	P 13,738,789	(P 1,093,346) (P 54,587,338)	P 506,177	P 4,700,962
Prior period adjustments (Note 16)	-	-	(506,177)	506,177	-
As restated (Note 16)	46,642,857	13,738,789	(1,599,523) (54,081,161)		4,700,962
Additions during the year (Note 16)	1,949,067	2,050,933	-	-	4,000,000
Total comprehensive income for the year	-	-	(2,729,435)	1,996,221	(733,214)
Balance at September 30, 2021 (Note 16)	P 48,591,924	P 15,789,722	(P 4,328,958) (P 52,084,940)	P 506,177	P 7,967,748
Balance at October 1, 2019					
As previously reported (Note 16)	P 46,642,857	P 9,311,082	(P 1,093,346) (P 54,257,603)	P 506,177	P 602,990
Prior period adjustments (Note 16)	-	-	(506,177)	506,177	-
As restated (Note 16)	46,642,857	9,311,082	(1,599,523) (53,751,426)		602,990
Additions during the year (Note 16)		4,427,707	-	-	4,427,707
Total comprehensive loss for the year	-	-	-	(329,735)	(329,735)
Balance at September 30, 2020 (Note 16)	P 46,642,857	P 13,738,789	(P 1,599,523) (P 54,081,161)	P 506,177	P 4,700,962

See Notes to Financial Statements.

VALLE VERDE COUNTRY CLUB, INC.
(A Non-Profit Proprietary Club)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020
(Amounts in Philippine Peso)

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	P 3,816,763	P 21,759
Adjustments for:		
Depreciation (Note 8)	3,785,571	3,922,433
Amortization of intangible assets (Note 9)	672,629	693,872
Interest income from bank deposits (Note 14)	(40,611)	(38,099)
Operating profit before working capital changes	8,234,352	4,599,965
Increase in trade and other receivables	(2,229,973)	(284,111)
Decrease (increase) in inventories	(339,201)	330,675
Increase in prepayments and other current assets	(22,323)	(325,679)
Decrease in trade and other payables	(1,605,258)	(1,983,327)
Decrease in retirement benefit obligation	(1,278,519)	(1,146,245)
Cash generated from operations	2,759,078	1,191,278
Interest received	40,611	38,099
Cash paid for income taxes (Note 15)	(3,777)	(7,621)
Net Cash From Operating Activities	<u>2,795,912</u>	<u>1,221,756</u>
CASH FLOWS FROM INVESTING ACTIVITY		
Acquisitions of property and equipment (Note 8)	(2,306,640)	(1,266,523)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from special assessment fund (Note 16)	2,050,933	4,427,707
Reissuance of membership fee certificates (Note 16)	<u>1,949,067</u>	-
Net Cash From Financing Activities	<u>4,000,000</u>	<u>4,427,707</u>
NET INCREASE IN CASH	<u>4,489,272</u>	<u>4,382,940</u>
CASH AT BEGINNING OF YEAR	<u>9,563,876</u>	<u>5,180,936</u>
CASH AT END OF YEAR (Note 4)	<u>P 14,053,148</u>	<u>P 9,563,876</u>

See Notes to Financial Statements.



VALLE VERDE COUNTRY CLUB, INC.
(A Non-Profit Proprietary Club)
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020
(Amounts in Philippine Peso)

1. GENERAL INFORMATION

Corporate Information

Valle Verde Country Club, Inc. (the Club) is a proprietary membership club organized primarily to promote sports, recreational and social activities. The Club was incorporated in the Philippines on May 30, 1975, and started its commercial operations on April 1, 1978.

The registered office of the Club, which is also its principal place of business, is located at Captain Henry P. Javier Street, Barrio Ugong, Pasig City.

Approval of Financial Statements

The financial statements of the Club as at and for the year ended September 30, 2021 (including the comparatives as at and for the year ended September 30, 2020) were authorized for issue by the Board of Directors (BOD) on January 7, 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

Basis of Preparation of Financial Statements

a. Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Club have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS is adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board and approved by the Philippine Board of Accountancy (BOA).

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

b. Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Club presents all items of income and expenses in a single statement of comprehensive income.

The Club presents the third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

c. *Functional and Presentation Currency*

These financial statements are presented in Philippine pesos, the Club's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Club are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Club operates.

Adoption of New and Amended to PFRS

a. *Effective in the fiscal year 2021 that are Relevant to the Club*

For the fiscal year 2021, the Club adopted for the first time the following amendments and interpretations to PFRS that are relevant to the Club and effective for financial statements for the annual period beginning on or after January 1, 2020:

Conceptual Framework	:	Revised Conceptual Framework for Financial Reporting
PAS 1 and PAS 8 (Amendments)	:	Presentation of Financial Statements And Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material
PFRS 16 (Amendments)	:	Leases – Corona Virus Disease 2019 (COVID-19) - Related Rent Concessions

Discussed below is the relevant information about these amended standards:

- i. *Revised Conceptual Framework for Financial Reporting.* The revised conceptual framework will be used in standard-setting decisions with immediate effect. Key changes include (a) increasing the prominence of stewardship in the objective of financial reporting, (b) reinstating prudence as a component of neutrality, (c) defining a reporting entity, which may be a legal entity, or a portion of an entity, (d) revising the definitions of an asset and a liability, (e) removing the probability threshold for recognition and adding guidance on derecognition, (f) adding guidance on different measurement basis, and, (g) stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

The application of the revised conceptual framework had no significant impact on the Club's financial statements.

ii. PAS 1 (Amendments), *Presentation of Financial Statements and PAS 8 (Amendments), Accounting Policies, Changes in Accounting Estimates and Errors -Definition of Material*. The amendments provide a clearer definition of 'material' in PAS 1 by including the concept of 'obscuring' material information with immaterial information as part of the new definition and clarifying the assessment threshold (i.e., misstatement of information is material if it could reasonably be expected to influence decisions made by primary users, which consider the characteristic of those users as well as the entity's circumstances). The definition of material in PAS 8 has been accordingly replaced by a reference to the new definition in PAS 1. In addition, an amendment has also been made in other standards that contain a definition of material or refer to the term 'material' to ensure consistency. The amendment has no material impact on the Club's financial statements.

iii. PFRS 16 (Amendments), *Leases - COVID-19 Related Rent Concessions*. The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID 19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID 19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID 19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendments are effective for annual reporting years beginning on or after June 1, 2020. Early adoption is permitted.

The Club adopted the amendments beginning October 1, 2020 and the amendments have no material impact on the financial statements.

b. *Effective in the Fiscal Year 2021 that are not Relevant to the Club*

The following PFRS amendments to existing standards are mandatorily effective for annual periods beginning on or after January 1, 2020 but are not relevant to the Club's financial statements:

PFRS 3 (Amendments) : Business Combinations – Definition of a Business

PFRS 7 and PFRS 9
(Amendments) : Financial Instruments: Disclosures and Financial Instruments - Interest Rate Benchmark Reform

c. *Effective Subsequent to Fiscal Year 2021 but not Adopted Early*

There are amendments to existing standards effective for annual periods subsequent to 2021, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have a significant impact on the Club's financial statements.

- i. PFRS 3 (Amendments), *Business Combination - Reference to the Conceptual Framework* (effective from January 1, 2022). The amendments update an outdated reference to the Conceptual Framework in PFRS 3 without significantly changing the requirements in the standard.
- ii. PAS 16 (Amendments), *Property, Plant and Equipment - Proceeds Before Intended Use* (effective from January 1, 2022). The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.
- iii. PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract* (effective January 1, 2022). The amendments specify that the 'cost of fulfilling a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).
- iv. Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2022, are relevant to the Club:
 - PFRS 9 (Amendments), *Financial Instruments - Fees in the '10 percent' Test for Derecognition of Liabilities*. The improvements clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

Illustrative Examples Accompanying PFRS 16, Leases - Lease Incentives. The improvement merely removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives.



v. PAS 1 (Amendments), *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current* (effective January 1, 2023). The amendments aim to promote consistency in applying the requirements by helping entities determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

vi. PFRS 10 (Amendments), *Consolidated Financial Statements, and PAS 28 (Amendments), Investments in Associates and Joint Ventures - Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendments to PFRS 10 require full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3 between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sales or contributions of assets that do not constitute a business. Corresponding amendments have been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.

vii. PFRS 17, *Insurance Contracts* (effective January 1, 2023). The new standard will eventually replace PFRS 4, *Insurance Contracts*. The Insurance Commission (IC), through its Circular Letter 2018-69, has deferred the implementation of PFRS 17 for the life insurance and non-life insurance industry. PFRS 17 will set out the principles for the recognition, measurement, presentation and disclosure of insurance contracts within its scope.

This new standard requires a current measurement model where estimates are remeasured in each reporting period. Moreover, contracts are measured using the building blocks of:

- discounted probability-weighted cash flows;
- an explicit risk adjustment; and,
- a contractual service margin (CSM) representing the unearned profit of the contract which is recognized as revenue over the coverage period.

PFRS 17 further allows a choice between recognizing changes in discount rates either in the statement of income or directly in other comprehensive income. The choice is likely to reflect how insurers account for financial assets under PFRS 9.

In addition, the standard provides an optional, simplified premium allocation approach for the liability for the remaining coverage for short-duration contracts, which are often written by non-life insurers.



A modification of the general measurement model called the variable fee approach is also introduced by PFRS 17 for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model.¹

Financial Instruments

a. Financial Assets

Financial assets are recognized when the Club becomes a party to the contractual terms of the financial instrument. Financial assets are classified into the following categories: Financial assets at Fair Value Through Profit or Loss (FVTPL), Financial assets at fair value through other comprehensive income (FVOCI) and Financial assets at Amortized cost. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. The designation of financial assets is re-evaluated at every reporting date at which date a choice of classification or accounting treatment is available, subject to compliance with specific provisions of applicable accounting standards.

The foregoing categories of financial instruments of the Club are more fully described below:

i. Financial assets at fair value through profit or loss (FVTPL)

This category comprises only in-the-money derivatives. They are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of comprehensive income in the finance income or expense line. Other than derivative financial instruments which are not designated as hedging instruments, the Club does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

As at September 30, 2021 and 2020, the Club does not have financial assets designated at FVTPL.

ii. Financial assets at fair value through other comprehensive income (FVOCI)

IFRS 9 requires all equity investments to be measured at fair value. The default approach is for all changes in fair value to be recognized in profit or loss.

For equity investments that are neither held for trading nor contingent consideration recognized by an acquirer in a business combination, entities can make an irrevocable election at initial recognition to classify the instruments as FVOCI, with all subsequent changes in fair value being recognized in other comprehensive income (OCI). This election is available for each separate investment.

Under this new FVOCI category, fair value changes are recognized in OCI while dividends are recognized in profit or loss (unless they represent a recovery of part of the cost of the investment).



On disposal of the investment, the cumulative change in fair value is not recycled to profit or loss. However, the Club has the ability to transfer amounts between reserves within equity (i.e. between the FVOCI reserve and retained earnings).

As at September 30, 2021 and 2020, the Club does not have financial assets designated at FVOCI.

iii. Financial Assets at Amortized Cost

A financial asset is classified as subsequently measured at amortized cost if it meets both of the following criteria: hold to collect business model test – the asset is held within a business model whose objective is to hold the financial asset in order to collect contractual cash flows; and solely payments of principal and interest (SPPI) contractual cash flow characteristics test – the contractual terms of the financial asset give rise to cash flows that are SPPI on the principal amount outstanding on a specified date.

The Club's financial assets measured at amortized cost comprise Cash and Trade and other receivables in the statements of financial position.

Cash includes cash on hand and in banks held to meet short-term cash commitments rather than for investment or other purposes.

Trade and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Club provides money or services directly to a debtor with no intention of trading the receivables. Included in this category are those arising from direct loans to customers and all receivables from customers and other companies.

Trade and other receivables are subsequently measured at amortized cost using the effective interest method, less impairment losses, if any. Any change in their value is recognized in profit or loss. Increases in estimates of future cash receipts from such financial assets shall be recognized as an adjustment to the effective interest rate from the date of the change in estimate rather than as an adjustment to the carrying amount of the financial asset at the date of the change in estimate.

b. Subsequent Measurement of Financial Assets

i. Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model than 'hold to collect' or 'hold to collect and sell', and financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply.

Assets in this category are measured at fair value with gains or losses recognized in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.



ii. Financial assets at fair value through other comprehensive income (FVOCI)

The Club accounts for financial assets at FVOCI if the assets meet the following conditions:

- a. they are held under a business model whose objective is held to collect the associated cash flows and sell; and,
- b. the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognized in OCI will be recycled upon the derecognition of the asset.

iii. Financial Assets at Amortized Cost

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- a. they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows;
- b. the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

This category includes non-derivative financial assets like trade and other receivables with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Club's cash and trade and other receivables fall into this category of financial instruments.

c. Impairment of Financial Assets

IFRS 9's new impairment requirements use more forward-looking information to recognize expected credit losses - the 'expected credit loss' (ECL) model. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortized cost and FVOCI, trade receivables, contract assets recognized and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Club first identifying a credit loss event. Instead, the Club considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.



In applying this forward-looking approach, a distinction is made between:

- i. financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1'); and,
- ii. financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date. However, none of the Club's financial assets fall into this category.

'12-month expected credit losses' are recognized for the first category while 'lifetime expected credit losses' are recognized for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

The Club makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the Club uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

d. Financial Liabilities

Financial liabilities are classified as financial liabilities at FVTPL, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Club determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value plus, in the case of loans and borrowings, directly attributable to transaction costs.

As at September 30, 2021 and 2020, the Club did not have financial liabilities at FVTPL or derivative liabilities designated as hedging instruments.

The Club's financial liabilities include Trade and other payables [excluding Output Value-added Tax (VAT) payable shown under Other payables].

Trade and other payables are recognized initially at their fair value and subsequently measured at amortized cost for maturities beyond one year, less settlement payments.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the profit or loss in the statement of comprehensive income.



e. Offsetting Financial Instruments

Financial assets and liabilities are set-offs and the resulting net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Inventories

At the end of the reporting period, inventories are valued at the lower of cost and net realizable value. Costs incurred in bringing each product to its present location and condition is accounted for at purchase cost on a weighted average method.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

When inventory is sold, the carrying amount of inventory is recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventory to net realizable value and all losses of inventory is recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventory, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventory recognized as an expense in the period in which the reversal occurs.

Prepayments and Other Current Assets

Prepayments and other current assets pertain to other resources controlled by the Club as a result of past events. They are recognized in the financial statements when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably.

Prepayments and other current assets include prepaid expenses which are paid in advance and recorded as an asset before these are utilized, deposits that pertain to advance payments to suppliers to be applied for future purchases, and prepaid income tax, which will be applied in the following year against corporate income tax. Prepaid expenses are amortized over time and recognized as an expense as the benefit is derived from the asset. Prepayments and other current assets are recognized and measured at transaction cost or the amount of cash paid. Subsequently, these are charged to income as they are consumed in operations or expire with the passage of time.

Property and Equipment

Land is stated at cost. All other property and equipment are stated at cost less accumulated depreciation, amortization and any impairment in value. The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements, and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred.



Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets as follows:

Clubhouse	10 to 53 years
Building furniture and fixtures	10 to 15 years
Land improvements	10 to 25 years
Kitchen, office and other equipment	5 to 10 years

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

The residual values and estimated useful lives of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property and equipment, including the related accumulated depreciation, amortization and impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

Intangible Assets

Intangible assets of the Club include acquired licenses and software which are accounted for under the cost model. The cost of the asset is the amount of cash or cash equivalents paid or the fair value of the other considerations given up to acquire an asset at the time of its acquisition or production. Capitalized costs are amortized on a straight-line basis over the estimated useful lives (ranging from 5 to 7 years) as the lives of these intangible assets are considered finite.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. Costs associated with maintaining computer software and those costs associated with research activities are recognized as an expense in profit or loss as incurred.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in profit or loss.

Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.



Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When the time value of money is material, long-term provisions are discounted to their present values using a pre-tax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as an interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, probable inflows of economic benefits that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Club can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

Revenue and Cost Recognition

Revenue comprises membership dues and revenue from the sale of food and is measured by reference to the fair value of the consideration received or receivable by the Club for food and beverages sold and services rendered, excluding VAT.

The Club follows a 5-step process to determine whether to recognize revenue:

1. Identifying the contract with a customer;
2. Identifying the performance obligations;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations;
5. Recognizing revenue when/as a performance obligation(s) are satisfied.

Revenue is recognized either at a point in time or over time, when (or as) the Club satisfies performance obligations by transferring the promised goods or services to its customers.

The Club recognizes contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position. Similarly, if the Club satisfies a performance obligation before it receives the consideration, the Club recognizes either a contract asset or a receivable in its statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

Income that was recognized under the above criteria are discussed as follows:

- a. *Membership dues* - Revenue is recognized monthly as the fees become due upon billing to Club members of their monthly dues.
- b. *Sale of food and beverages* - Revenue is recognized when control of the goods or services are transferred to the customer or member at an amount that reflects the consideration to which the Club expects to be entitled in exchange for those goods or services.

- c. *Rentals* - Revenue from the lease of land and building is recognized and accounted for in profit or loss on a straight-line basis over the lease term.
- d. *Service fees* - Revenue is recognized when sports training services have been rendered.
- e. *Patronage fees* - Revenue is recognized when the paid consumables of the member have been forfeited.
- f. *Transfer and processing fees* - Revenue is recognized as the service fees become due upon members' payment for processing of documents relative to memberships.
- g. *Late payment charges* - Revenue is recognized as the fees become due upon billing to Club members.
- h. *Interest* - Revenue is recognized as the interest accrues (taking into account the effective yield on the asset).

Cost and expenses are recognized in profit or loss upon utilization of goods or services or at the date they are incurred. All finance costs are reported in the profit or loss on an accrual basis.

Leases - Club as a Lessor

Leases that do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized as income in profit or loss on a straight-line basis over the lease.

The Club determines whether an arrangement is, or contains a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Impairment of Non-financial Assets

The Club's property and equipment are subject to impairment testing.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use, based on an internal evaluation of discounted cash flow. Impairment loss is charged pro-rata to the other assets in the cash-generating unit.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.



Employee Benefits

The Club provides short term benefits and post-employment benefits to employees through a defined benefit plan, as well as various defined contribution plans.

a. Short-term Benefits

Wages, salaries and bonuses are recognized as an expense in the year in which the associated services are rendered by employees. Short-term accumulating compensated absences such as paid annual leave are recognized when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognized when the absences occur.

b. Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Club, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Club's post-employment defined benefit plan covers all regular full-time employees. The post-employment plan is tax-qualified, noncontributory, and administered by a trustee.

The liability recognized in the statement of financial position for post-employment benefit plan is the present value of the defined benefit obligation (DBO) at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The DBO is calculated every two years by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return of plan assets (excluding amount included in net interest) are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of retirement benefits in the statement of comprehensive income.

Past-service costs are recognized immediately in profit or loss in the period of a plan amendment and curtailment.

As at September 30, 2021 and 2020, the Club recognized its liability for a post-employment benefit plan based on the provisions of the Collective Bargaining Agreement with its employees at the end of the reporting period less the fair value of plan assets.



c. Defined Contribution Plan

A defined-contribution plan under which the Club pays fixed contributions into an independent entity such as Social Security System (SSS), Philhealth and Pag-ibig. The Club has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

d. Termination Benefits

Termination benefits are payable when employment is terminated by the Club before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Club recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the reporting period are discounted to their present value.

Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in member's equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is provided, using the liability method, on temporary differences at the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred tax asset can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that the future taxable profit will be available to allow such deferred tax assets to be reassessed.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.



Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting periods. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Club expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in the profit or loss. Only changes in deferred tax assets or liabilities that relate to a change in the value of assets or liabilities are charged or credited directly to a member's equity.

Deferred tax assets and deferred tax liabilities are offset if the Club has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes related to the same entity and the same taxation authority.

Related Party Transactions and Relationships

Related party transactions are the transfer of resources, services or obligations between the Club 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. These include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Club; (b) associates; and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Club that gives them significant influence over the Club 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.

Members' Equity

Membership fee certificates represent the nominal value of certificates that have been issued adjusted for any cancellations and re-issuances.

Additional paid-in includes any premiums received on the issuance of cancelled membership certificates and special assessment funds.

Accumulated comprehensive loss represents the accumulated actuarial losses of retirement benefit obligation, net of applicable tax.

Deficit includes all current and prior period results of operations as reported in profit or loss in the statement of comprehensive income.

Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Club's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.



3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Club's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances. Actual results may ultimately differ from these estimates.

Critical Management Judgments in Applying Accounting Policies

In the process of applying the Club's accounting policies, management has made the following judgments, apart from those involving estimation, which has the most significant effect on the amounts recognized in the financial statements:

a. Determination of Functional Currency

The Club has determined that its functional currency is the Philippine peso, which is the currency of the primary environment in which the Club operates.

b. Distinction between Operating and Finance Leases

The Club has entered into various lease agreements as a lessor. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities. Based on management judgment, current lease arrangements were determined to be operating leases.

c. Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of relevant provisions and contingencies are discussed in Notes 2 and 18, respectively.

Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next reporting period.

a. Impairment of Trade and Other Receivables

The Club uses a provision matrix to calculate ECL for trade and other receivables. The provision rates are based on days past due for groupings of various members. The Club evaluates these accounts based on available facts and circumstances, including, but not limited to, the length of the Club's relationship with the members, the members' current credit status, the average age of accounts, collection experience and historical loss experience.



The provision matrix is based on the Club's historical observed default rates. The Club's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions). Details about the ECL on the Club's trade and other receivables and its carrying value are shown in Note 5.

b. Determination of Net Realizable Value of Inventories

In determining the net realizable value of inventories, management takes into account the most reliable evidence available at the dates the estimates are made as well as the factors that affect the realizability of inventories.

c. Estimation of Useful Lives of Property and Equipment

The Club estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property and equipment is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment and investment property would increase recorded operating expenses and decrease non-current assets.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Clubhouse	10 to 53 years
Building furniture and fixtures	10 to 15 years
Land improvements	10 to 25 years
Kitchen, office and other equipment	5 to 10 years

The carrying amounts of property and equipment are analyzed in Note 8.

d. Determination of Realizable Amount of Deferred Tax Asset

The Club reviews its deferred tax asset at the end of each reporting period and reduces the carrying amount 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.

Deferred tax asset relating to minimum corporate income tax (MCIT) and allowance for impairment of receivables was not recognized as management believes that it cannot be utilized in the foreseeable future.

The carrying value of deferred tax assets as at September 30, 2021 and 2020 is disclosed in Note 15.



e. *Valuation Post-employment Defined Benefit Obligation*

Prior to 2018, the determination of the Club's obligation and cost of the post-employment benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 11 and include, among others, discount rates, expected rate of return on plan assets, salary increase rate and employee turnover rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit obligation in the next reporting period.

In 2021 and 2020, the Club computed its retirement benefit obligation based on the provisions of the Club's Collective Bargaining Agreement (CBA) with its employees. The Club's CBA is in compliance with the minimum provisions of Republic Act 7641, *Retirement Pay Law*.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of the post-employment benefit, as well as the significant assumptions used in estimating such obligation are presented in Note 11.

f. *Determination of Termination Benefits*

The determination of the Club's obligation for termination benefits is measured based on the number of employees that are expected to receive them and the amount of benefits each employee is to receive based on management's decision. For involuntary termination plans, the entity establishes the number of employees whose services will be terminated. The measurement of the Club's obligation for termination payments in case of an offer made to encourage voluntary termination is based on the number of employees expected to accept the offer or where management intends to reduce staff numbers by a given amount, the cost of doing so.

g. *Impairment of Non-Financial Assets*

Except for intangible assets with indefinite useful lives, PFRS requires that an impairment review be performed when certain impairment indicators are present. The Club's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.



4. CASH

The details of this account are as follows:

	<u>2021</u>	<u>2020</u>
Cash in banks	P 13,976,148	P 9,486,876
Cash on hand	<u>77,000</u>	<u>77,000</u>
	<u><u>P 14,053,148</u></u>	<u><u>P 9,563,876</u></u>

Cash in banks generally earns interest at rates based on daily bank deposit rates.

5. TRADE AND OTHER RECEIVABLES

The details of this account are as follows:

	<u>2021</u>	<u>2020</u>
Trade	P 14,164,542	P 12,420,014
Others (see Note 18)	<u>9,089,912</u>	<u>8,604,467</u>
	<u>23,254,454</u>	<u>21,024,481</u>
Allowance for impairment	(362,280)	(362,280)
	<u><u>P 22,892,174</u></u>	<u><u>P 20,662,201</u></u>

The outstanding trade receivables as at September 30, 2021 and 2020 pertains to the dues and charges from members which are due within one month from the billing date.

Other receivables include P1,200,000 representing unauthorized payment of attorney's fees and expenses made by previous Boards of Directors (BOD). On November 18, 2013, the Club has sent a demand letter to immediately pay, jointly and solidarily the said amount against the previous BOD and their legal counsel. No impairment loss was provided as the Club has some available recourse to settle such account.

There is no additional allowance for impairment provided in 2021 and 2020. All of the Club's trade and other receivables have been reviewed for indicators of impairment. Certain trade and other receivables which are mostly due from delinquent members were found to be impaired; hence, adequate amounts of allowance for impairment have been recognized. The By-Laws states that if the proceeds derived from the sale of the Certificates are not sufficient to pay in full the indebtedness of the member, the member shall continue to be obligated to the Club for the unpaid balance.



6. INVENTORIES

This account represents the following:

	<u>2021</u>	<u>2020</u>
Food	P 555,084	P 224,379
Beverages	<u>151,904</u>	<u>143,408</u>
	<u>P 706,988</u>	<u>P 367,787</u>

The cost of inventories recognized as an expense in 2021 and 2020 are shown in Note 12. There were no expenses recognized related to the impairment of inventories in both years.

7. PREPAYMENTS AND OTHER CURRENT ASSETS

The details of this account are as follows:

	<u>2021</u>	<u>2020</u>
Prepaid income tax	P 1,092,734	P 1,039,685
Deposits	766,043	771,400
Unused supplies	558,227	549,706
Prepaid expenses	<u>-</u>	<u>33,890</u>
	<u>P 2,417,004</u>	<u>P 2,394,681</u>

Prepaid income tax, which are claimed against income tax due, are carried over in the succeeding period for the same purpose.

No provision for impairment losses on prepayments and other current assets was recognized in 2021 and 2020.

8. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of 2021 and 2020 are shown below:

	<u>Clubhouse</u>	<u>Kitchen, Office and Other Equipment</u>	<u>Building, Furniture and Fixtures</u>	<u>Land Improvements</u>	<u>Land</u>	<u>Total</u>
September 30, 2021						
Cost	P 73,865,876	P 41,040,153	P 50,568,572	P 2,034,488	P 4,600,000	P 172,109,089
Accumulated depreciation and amortization	(63,659,685)	(32,632,831)	(39,634,726)	(2,034,488)	(-)	(137,961,730)
Net carrying amount	<u>P 10,206,191</u>	<u>P 8,407,322</u>	<u>P 10,933,846</u>	<u>P -</u>	<u>P 4,600,000</u>	<u>P 34,147,359</u>
September 30, 2020						
Cost	P 73,865,876	P 40,392,282	P 48,909,803	P 2,034,488	P 4,600,000	P 169,802,449
Accumulated depreciation and amortization	(62,640,686)	(31,251,507)	(38,249,478)	(2,034,488)	(-)	(134,176,159)
Net carrying amount	<u>P 11,225,190</u>	<u>P 9,140,775</u>	<u>P 10,660,325</u>	<u>P -</u>	<u>P 4,600,000</u>	<u>P 35,626,290</u>

The reconciliations of the carrying amounts at the beginning and end of 2021 and 2020, of property and equipment are shown below:

	<u>Clubhouse</u>	<u>Kitchen, Office and Other Equipment</u>	<u>Building, Furniture and Fixtures</u>	<u>Land Improvements</u>	<u>Land</u>	<u>Total</u>
Balance October 1, 2020 net of accumulated depreciation and amortization	P 11,225,190	P 9,140,775	P 10,660,325	P -	P 4,600,000	P 35,626,290
Additions for the year	-	647,871	1,658,769	-	-	2,306,640
Depreciation for the year	(1,018,999)	(1,381,324)	(1,385,248)	-	-	(3,785,571)
Balance at September 30, 2021, net of accumulated depreciation and amortization	<u>P 10,206,091</u>	<u>P 8,407,322</u>	<u>P 10,933,846</u>	<u>P -</u>	<u>P 4,600,000</u>	<u>P 34,147,359</u>
Balance October 1, 2019 net of accumulated depreciation and amortization	P 12,244,289	P 9,533,940	P 11,836,933	P 67,038	P 4,600,000	P 38,282,200
Additions for the year	-	1,189,295	77,228	-	-	1,266,523
Depreciation for the year	(1,019,099)	(1,582,460)	(1,253,836)	(67,038)	-	(3,922,433)
Balance at September 30, 2020, net of accumulated depreciation and amortization	<u>P 11,225,190</u>	<u>P 9,140,775</u>	<u>P 10,660,325</u>	<u>P -</u>	<u>P 4,600,000</u>	<u>P 35,626,290</u>

The land under Transfer Certificate of Title No. 438487 is covered by Restrictive Covenants as follows:

- a. The land shall not be subdivided and that it shall be used exclusively for artistic, sports, recreational and social as well as entertainment purposes.
- b. No portion of the land or any rights and interests thereto shall be mortgaged, leased or encumbered in any manner, directly or indirectly, before December 2025 without the knowledge and express written consent of Ortigas & Company Allied Partnership (Ortigas).
- c. In the event that the Club is dissolved before December 2025, for any cause whatsoever, or if the Club fails to complete the construction of the proposed buildings for the use of the Club, Ortigas, its successor or assigns, has the absolute option to repurchase the land from the Club, or its assigns the sum of not exceeding P4,600,000 without interest, free from liens and encumbrances.
- d. Should the Club decide to sell or dispose the land at any time before December 2025, Ortigas, its successors or assigns, shall be entitled and has the first absolute and unconditional option to reacquire or repurchase the entire property for an amount proportions to the area being sold, if only a portion of said property is involved.
- e. Should Ortigas choose to repurchase the property pursuant to the foregoing covenants, the existing improvements on the land shall be removed by and at the expense of the owner/claimant thereof within six months from the receipt of notice thereon, unless Ortigas decides to reimburse the owner/claimant the value thereof which shall be fixed at the price equivalent to the actual cost of construction or acquisition, less depreciation at the rate of 20% per year.

The Club's portion of the clubhouse with a total floor area of 588.75 square meters was held for lease. Total rentals amounted to P3,553,326 and P3,136,275 in 2021 and 2020, respectively, and are shown as Rentals in the statements of comprehensive income (see Note 18).



As at September 30, 2021 and 2020, there were no property and equipment have been pledged as security for liabilities. In addition, there were no recognized impairment losses relating to these assets in both years.

9. INTANGIBLE ASSETS

Intangible assets pertain to computer software and licenses acquired by the Club. The reconciliation of intangible assets is shown below:

	<u>2021</u>	<u>2020</u>
Cost	<u>P 5,007,537</u>	<u>P 5,007,537</u>
Accumulated amortization		
Balance at beginning of year	<u>2,614,069</u>	<u>1,920,197</u>
Amortization for the year	<u>672,629</u>	<u>693,872</u>
Balance at end of year	<u>3,286,698</u>	<u>2,614,069</u>
Net carrying amounts	<u>P 1,720,839</u>	<u>P 2,393,468</u>

10. TRADE AND OTHER PAYABLES

This account is composed of the following:

	<u>2021</u>	<u>2020</u>
Trade	<u>P 15,145,386</u>	<u>P 12,525,705</u>
Refundable deposits	<u>5,672,478</u>	<u>5,383,516</u>
Accrued expenses	<u>3,000,000</u>	<u>7,549,628</u>
Other payables	<u>877,458</u>	<u>841,731</u>
	<u> P 24,695,322</u>	<u> P 26,300,580</u>

Trade payables are non-interest bearing and are normally settled within 30 days to 120 days term. Trade payables arise from the purchase of goods and supplies from third parties and are generally paid within 3 to 12 months after the end of the financial reporting period.

Refundable deposits pertain to deposit for playing rights, rental deposit, and deposits for breakages.

Accrued expenses comprise of outstanding payables to COVID related expenses and other accruals. Accrued expenses in 2020 also include accrued litigation expenses that were settled in November 2020 amounting to P3,782,298 (see Note 18).

Other payables consist of outstanding payables related to withholding taxes, Social Security System, Philhealth and other contributions which are remitted an average term of 10-15 days after end of the financial reporting period.



11. EMPLOYEE BENEFITS

Salaries and Employees' Benefits

Expenses recognized for salaries and employees' benefits are presented below:

	<u>2021</u>	<u>2020</u>
Short-term benefits	P 37,475,550	P 44,540,990
Post-employment defined benefit	<u>2,519,864</u>	<u>1,572,007</u>
	<u>P 39,995,414</u>	<u>P 46,112,997</u>

Impact of COVID-19 Pandemic

The Club is not exempted from the effects brought by the COVID-19 pandemic. Due to community quarantine imposed all over the country, limited movement and difficulty in delivering the products to various businesses were experienced. Measures to prevent transmission of the virus include limiting the movement of people, restricting flights and other travel, temporarily closing businesses and schools, and cancelling events. This will have an immediate impact on businesses such as tourism, transport, retail and entertainment. It will also begin to affect supply chains and the production of goods throughout the world and lower economic activity is likely to result in reduced demand for many goods and services. Financial services entities such as banks that lend to affected entities, insurers that provide protection to affected individuals and businesses, and funds or other investors that invest in affected entities are also likely to be affected. Not only in the Philippines, but it has also interrupted the movement of people and goods throughout the world, and many levels of government are instituting restrictions on individuals and businesses. Travel documents including proper identification cards were requested to avoid inconvenience during checkpoints.

No Work, No Pay was observed for employees during Enhanced Community Quarantine. This contributes to the significant reduction in salaries and employee benefits of the Club.

Post-employment Defined Benefit Plan

a. Characteristics of the Defined Benefit Plan

The Club's employees retirement plan is a non-contributory and defined benefit type that provides a retirement benefit equivalent to one hundred percent (100%) of Plan Salary for every year of credited service. Benefits are paid in a lump sum upon retirement or separation in accordance with the terms of the Plan.

The normal retirement age is 60 with a minimum of 5 years of credited service. The plan also provides for early retirement with a minimum of 15 years of credited service and late retirement after age 60 but not beyond the age of 65, both subject to the approval of the Club's BOD.

b. *Explanation of Amounts Presented in the Financial Statements*

Actuarial valuations are made every two years to update the retirement benefit costs and the amount of contributions. All amounts presented below are computed based on the Club's Collective Bargaining Agreement (CBA) to its employees.

The amounts of retirement benefit obligation recognized in the statements of financial position are as follows:

	<u>2021</u>	<u>2020</u>
Present value of the obligation	P 22,987,081	P 26,848,798
Fair value of plan assets	(3,243,786)	(8,953,149)
Retirement benefit obligation	<u>P 19,743,295</u>	<u>P 17,895,649</u>

The movements in the present value of the retirement benefit obligation recognized in the books are as follows:

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	P 26,848,798	P 25,995,153
Actuarial loss (gain)	2,495,555	-
Current service	1,903,969	1,572,007
Interest costs	805,464	-
Benefits paid	(9,066,705)	(718,362)
Balance at end of year	<u>P 22,987,081</u>	<u>P 26,848,798</u>

The movement in the fair value of plan assets is presented below:

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	P 8,953,149	P 6,953,149
Contributions	1,200,000	2,000,000
Expected return on plan assets	189,570	-
Re-measurement loss on plan asset	(630,610)	-
Benefits paid	(6,468,323)	-
Balance at end of year	<u>P 3,243,786</u>	<u>P 8,953,149</u>

The composition of the fair value of plan assets at the end of the reporting period by category and risk characteristics is shown below:

	<u>2021</u>	<u>2020</u>
Cash	<u>P 3,243,786</u>	<u>P 8,953,149</u>

The plan assets of the Club consist of a special cash deposit account placed in a local bank.



The components of amounts recognized in the profit or loss in respect of the retirement benefit obligation are as follows:

	<u>2021</u>	<u>2020</u>
<i>Reported in profit or loss:</i>		
Current service costs	P 1,903,969	P 1,572,007
Net interest costs	<u>615,895</u>	-
	<u>P 2,519,864</u>	<u>P 1,572,007</u>

Current service and interest costs were allocated and presented as part of operating expenses in the statements of comprehensive income.

In determining the amounts of the retirement benefit obligation, the following significant assumptions were used in 2021:

Discount rates	5.06%
Expected rate of salary increases	3.00%

Mortality assumptions are based on published statistics and mortality tables. The average remaining working life of an individual retiring at the age of 65 is 16.2. The average age of the employees is 43.8 years for 2021, while the average years of service are 10 years for 2021. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of zero-coupon government bonds with terms to maturity approximating the terms of the retirement benefit obligation. Other assumptions are based on management's historical experience.

Risks Associated with the Retirement Plan

The plan exposes the Club to actuarial risks such as longevity risk and salary risk. The present value of the retirement benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants during their employment and to their future salaries. Consequently, increases in the salary of the plan participants will result in an increase in the plan obligation.

Asset-liability Matching Strategies

The Club's retirement plan has no specific matching strategy between the plan assets and the plan liabilities.



Funding Arrangements and Expected Contributions

In 2021, The Club make a contribution of P1,200,000. The maturity profile of undiscounted expected benefit payments from the plan follows:

2022	P	4,638,930
2023		5,455,724
2024		992,644
2025		923,839
2026		2,894,544
2027 - 2031		12,700,764

12. COST OF FOOD AND BEVERAGES

The details of this account are shown below:

	<u>2021</u>	<u>2020</u>
Inventories at beginning of year	P 367,787	P 698,462
Purchases - net	11,737,556	13,539,901
Inventories at end of year (see Note 6)	(706,988)	(367,787)
	<u>P 11,398,355</u>	<u>P 13,870,576</u>

13. OTHER REVENUES AND OPERATING EXPENSES

Other Revenues

The breakdown of this account is as follows:

	<u>2021</u>	<u>2020</u>
Transfer and processing fees	P 2,613,403	P 1,036,161
Patronage fees	2,360,695	2,722,568
Late payment charges	1,631,495	1,397,787
Miscellaneous	518,120	559,062
	<u>P 7,123,713</u>	<u>P 5,715,578</u>

Miscellaneous revenues include income from parking fees, car stickers, and late payment charges.



Other Operating Expenses

This account consists of the following:

	<u>2021</u>	<u>2020</u>
Professional fees	P 3,222,989	P 2,356,411
Supplies and other consumables	2,364,067	2,393,750
Repairs and maintenance	1,995,712	2,674,315
Postage, telephone and telegraph	1,505,039	961,809
Input VAT - exemption to senior citizen	1,083,650	1,140,806
Transportation and gasoline	832,993	889,082
Insurance	568,951	191,155
Losses and breakages - food and beverages	395,062	127,199
Representation and entertainment	376,419	314,560
COVID related expenses	78,106	3,484,466
Linen and laundry	69,626	158,849
Advertising and promotion	7,860	1,644,696
Litigation expense (see Note 18)	-	3,782,298
Service fees	-	354,885
Miscellaneous	<u>1,850,560</u>	<u>1,643,556</u>
	<u>P 14,351,034</u>	<u>P 22,117,837</u>

Supplies and other consumables include printing expenses and office, cleaning and supplies.

Miscellaneous expenses include credit card charges, equipment rentals payments to pianists concessionaire food suppliers, choir, flowers for mass and sponsorship to tennis committee.

14. FINANCE INCOME

The finance income are composed of the following:

	<u>2021</u>	<u>2020</u>
Interest income - loans and receivables	P 123,905	P 443,028
Interest income - banks	<u>40,611</u>	<u>38,099</u>
	<u>P 164,516</u>	<u>P 481,127</u>



15. INCOME TAX

Tax Exemption

On June 26, 2019, in the case of Association of Non-profit Clubs, Inc. vs. Bureau of Internal Revenue (GR No. 228539) the Supreme Court promulgated and declared as invalid the Revenue Memorandum Circular 35-2012 issued by the BIR. The Court declares that membership fees, assessment dues and fees of similar nature collected by clubs which are organized and operated exclusively for pleasure, recreation, and other nonprofit purposes do not constitute as : (a) the income of recreational clubs from whatever source that are subject to income tax, and (b) part of the gross receipts of recreational clubs that are subject to Value Added Tax. Accordingly, RMC 35-2012 should be interpreted in accordance with the Decision. Hence, the Club applied the Decision of the Supreme Court for the fiscal year ended September 30, 2020.

Current And Deferred Taxes

The components of tax expense as reported in the statements of comprehensive income are presented below:

	<u>2021</u>	<u>2020</u>
<i>Reported in profit or loss</i>		
Current tax expense:		
Final tax at 20%	P 3,777	P 7,620
Deferred tax expense relating to origination and reversal of temporary differences	<u>1,816,765</u>	<u>343,874</u>
	<u>P 1,820,542</u>	<u>P 351,494</u>

The reconciliations of tax on pretax profit computed at the applicable statutory rate to income tax in the statement of comprehensive income are as follows:

	<u>2021</u>	<u>2020</u>
Tax on pretax profit at 20% in 2021 and 30% in 2020	P 763,353	P 6,528
Adjustment for income subjected to lower tax rate	(8,122)	(3,810)
Tax effects of:		
Non- taxable revenue	(11,243,721)	(17,269,975)
Non-deductible expenses	7,588,649	10,646,314
Unrecognized net operating loss carry-over (NOLCO)	4,209,209	6,358,397
Origination and reversal of temporary differences	<u>511,174</u>	<u>614,040</u>
Tax expense reported in the profit and loss	<u>P 1,820,542</u>	<u>P 351,494</u>



As at September 30, 2021 and 2020, the Club's deferred tax asset on retirement benefit obligation amounted to P3,948,659 and P5,368,694, respectively. Based on management's assessments, the carrying value of deferred tax asset relating to the Club's retirement benefit obligation as at September 30, 2021 and 2020 is fully recoverable upon payment of retirement benefits to retiring employees.

The Club is subject to MCIT which is computed at 2% of gross income, as defined under the tax regulations. The details of excess MCIT, which can be applied as a deduction from the Club's future regular income tax payable three years from the year the MCIT was paid, are shown below:

Year Incurred	Original Amount	Expired Balance	Remaining Balance	Valid Until
2019	P 97,952	P -	P 97,952	2022
2018	<u>P 447,543</u>	<u>447,543</u>	<u>-</u>	2021
	<u>P 545,495</u>	<u>P 447,543</u>	<u>P 97,952</u>	

The deferred tax asset amounting to P97,952 in 2021 and P545,495 in 2020 pertaining to MCIT was not recognized as management believes that the Club will not be able to generate sufficient taxable income in the foreseeable future against which deferred tax asset on MCIT can be utilized.

Moreover, the Club has not recognized the deferred tax asset relating to NOLCO and allowance for impairment of receivables as management believes that the Club may not be able to realize the related tax benefits in the foreseeable future. As at September 30, the temporary differences for which the related deferred tax assets have not been recognized are shown below:

	2021	2020
Allowance for impairment	P 72,456	P 108,684
NOLCO	<u>13,268,406</u>	<u>13,588,796</u>
	<u>P 13,340,862</u>	<u>P 13,697,480</u>

The details of the Club's NOLCO and its respective availment period is presented below:

Year Incurred	Amount	Expired	Unapplied	Valid Until
2021	P 21,046,045	P -	P 21,046,045	2026
2020	21,194,657	-	21,194,657	2025
2019	<u>P 24,101,330</u>	<u>-</u>	<u>24,101,330</u>	2022
	<u>P 66,342,032</u>	<u>P -</u>	<u>P 66,342,032</u>	



On September 30, 2020, the BIR issued Revenue Regulation No. 25-2020 which prescribes the rules and regulations to implement Section 4 of Republic Act (RA) No. 11494 (*Bayanihan to Recover as One Act*) relative to NOLCO under Section 34 (D)(3) of the National Internal Revenue Code (NIRC) of 1997, as amended. Unless otherwise disqualified from claiming the deduction, the business or enterprise which incurred a net operating loss for taxable years 2020 and 2021 shall be allowed to carry over the same as a deduction from its gross income for the next five (5) consecutive taxable years immediately following the year of such loss. The net operating loss for said taxable years may be carried over as a deduction even after the expiration of RA No. 11494 provided the same are claimed within the next five (5) consecutive taxable years immediately following the year of such loss.

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

On March 26, 2021, Republic Act No. 11534, otherwise known as "Corporate Recovery and Tax Incentives for Enterprises Act" or CREATE Act was signed into law amending certain provisions of the National Internal Revenue Code of 1997.

The key amendments in the Tax Code under the CREATE Act include, but not limited to, the following:

- a. Adoption of graduated Corporate Income Tax (CIT) rate effective July 1, 2020:
 - 20% CIT for domestic corporations with total assets of not exceeding P100 million (excluding land on which the particular business entity's office is situated), and with net taxable income not exceeding P5 million.
 - 25% CIT for other domestic corporations
- b. 25% CIT for non-foreign corporations effective January 1, 2021.
- c. Reduction of minimum corporate income tax (MCIT) from 2% to 1% from July 1, 2020 to June 30, 2023.
- d. Reduction of CIT for proprietary, non-profit educational institutions and hospitals from 10% to 1% from July 1, 2020 to June 30, 2023.
- e. Tax exemption of foreign-sourced dividends of domestic corporations subject to certain conditions.
- f. Clarification on the types of reorganizations covered by tax-free exchanges under Section 40(C)(2) of the Tax Code.
- g. Repeal of improperly accumulated earnings tax (IAET).
- h. Repeal of 10% special income tax rate on regional operating headquarters (ROHQ) starting January 1, 2022.



16. MEMBERS' EQUITY

Membership Fee Certificates

The Club has an authorized 1,500 proprietary membership fee certificates without par value consisting of 1,200 regular and 300 corporate certificates, of which amounting to P48,591,924 and P46,642,857 were issued and outstanding as at September 30, 2021 and 2020.

Regular proprietary members, who can either be natural or juridical persons, can designate only one representative who may vote and avail of all the Club's privileges. Corporate proprietary members can designate three representatives but are entitled to only one vote. Each representative may avail of all of the Club's privileges except to hold office.

Additional Paid-in

This account is composed of the following:

	<u>2021</u>	<u>2020</u>
Premiums received – issuance of cancelled membership certificates	P 8,068,540	P 8,068,540
Special assessment fund	<u>7,721,182</u>	<u>5,670,249</u>
	<u>P 15,789,722</u>	<u>P 13,738,789</u>

Special Assessment Fund

In November 2019, the Board of Directors approved the holding of members' Christmas Party in which all members will have a special assessment in the form of ticket selling, the net proceeds of such were used in the renovation of the Main Ballroom. The net special assessment fund amounting to P4,427,707 is presented as a special assessment fund under Additional Paid-in in the statements of members' equity. In March 2020, the additional net special assessment fund amounting to P2,050,933 is presented as a special assessment fund under Additional Paid-in in the statements of members' equity.

On August 29, 2015, the Board of Directors approved the special assessment for all members and assignees in the form of compulsory ticket selling, the proceeds of such were used in the improvement of Lanai. The net special assessment fund amounting to P1,242,542 is presented as a special assessment fund under Additional Paid-in in the statements of members' equity.

The changes in special assessment fund during the year are as follows:

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	P 5,670,249	P 1,242,542
Additions	<u>2,050,933</u>	<u>4,427,707</u>
Balance at end of year	<u>P 7,721,182</u>	<u>P 5,670,249</u>



Deposit for Membership Fee Certificates Subscription

In a meeting held on June 22, 1979, the Board of Directors approved the increase in the Club's authorized membership fee certificates from 1,500 to 2,000. The said increase was initially filed with the Securities and Exchange Commission (SEC). However, the SEC requires the approval of the members to effect the said increase in membership certificates. Due to the Writ of Preliminary Mandatory Injunction issued by the Regional Trial Court (RTC) of Pasig City to the current Board of Directors as petitioned by the previous Board of Directors, the Club cannot hold annual membership meeting and cannot be acted upon the requirements of the said increase as of to date. On October 1, 2019, the current Board of Directors filed Petition for Review of the assailed decision rendered by the RTC of Pasig City to the Court of Appeals praying the petition be given due course. Hence, the amount received from the members amounting to P27,479,806 is presented as Deposits for membership fee certificates subscriptions under Non-current liabilities in the statements of financial position.

Accumulated Comprehensive Loss

This account pertains to the actuarial losses on retirement benefit obligation.

As at September 30, 2021 and 2020, details of accumulated comprehensive loss is shown below:

	<u>2021</u>	<u>2020</u>
Gross amount	P 5,411,197	P 1,999,403
Tax effect	(1,082,239)	(399,880)
Net	<u>P 4,328,958</u>	<u>P 1,599,523</u>

The changes in accumulated comprehensive loss during the year are as follows:

	<u>2021</u>	<u>2020</u>
Balance at beginning of year		
As previously reported	P 1,093,346	P 1,093,346
Prior period adjustment	506,177	506,177
As restated	1,599,523	1,599,523
Total comprehensive loss for the year	<u>2,729,435</u>	-
Balance at end of year	<u>P 4,328,958</u>	<u>P 1,599,523</u>

The balance of accumulated comprehensive loss was restated to reflect the reclassification of amount based on the actuarial report net of applicable taxes. The effect of restatements of certain line items in the statement of financial position as at September 30, 2021 and 2020 are summarized below:

	<u>September 30, 2021</u>		
	<u>As Previously Reported</u>	<u>Adjustment</u>	<u>As Restated</u>
Changes in equity:			
Accumulated comprehensive loss	P 1,093,346	P 506,177	P 1,599,523
Deficit	54,587,338	(506,177)	54,081,161



September 30, 2020						
	As Previously Reported		Adjustment		As Restated	
Changes in equity:						
Accumulated comprehensive loss	P	1,093,346	P	506,177	P	1,599,523
Deficit		54,257,603	(506,177)		53,751,426

17. RELATED PARTY TRANSACTIONS

The Club's related parties include its officers and employees. The summary of the Club's transactions and outstanding balances with its related parties follows:

	2021		2020		Terms and Condition
	Amount of Transactions	Outstanding Balance	Amount of Transactions	Outstanding Balance	
Officers and employees					
Cash advances	(P 135,494)	P 47,837	P 12,800	P 183,331	Non-interest bearing, payable in demand, unsecured, no impairment loss
Key Management Personnel					
Compensation	P 5,147,282	P -	P 9,412,816	P -	

Advances to Officers and Employees

The Club extends unsecured non-interest-bearing cash advances to its officers and employees. The outstanding balance of these advances amounted to P47,837 and P183,331 as at September 30, 2021 and 2020, respectively. These are included as part of Others under Trade and other receivables account in the statements of financial position (see Note 5).

Key Management Compensation

Presented below are the details of the compensation of the Club's key management personnel which are presented as part of Salaries and employees' benefits as disclosed in Note 11.

	2021	2020
Short-term benefits	P 4,868,974	P 8,801,050
Post-employment benefits	<u>278,308</u>	<u>611,766</u>
	<u><u>P 5,147,282</u></u>	<u><u>P 9,412,816</u></u>



18. COMMITMENTS AND CONTINGENCIES

The following are the significant commitments and contingencies involving the Club:

Operating Leases - Club as Lessor

The Club is a lessor under operating leases covering certain Club spaces. Total rentals from these operating leases amounted to P3,553,326 and P3,136,275 in 2021 and 2020, respectively, and are shown as Rentals in the statements of comprehensive income.

Labor Cases

Ma. Alberta Carolina Del Rosario, a former general manager, filed a case for illegal dismissal, non-payment of salaries and holiday pay with damages before National Labor Relation Commission (NLRC). A favourable decision was obtained from the NLRC which reversed and set aside the Labor Arbitrator's Decision, and accordingly, dismissed the complaint against the Club for lack of merit. Complainant elevated the case to the Court of Appeals via a Petition for Cetiorari where the case was dismissed. Relative to this case, the Club posted a cash bond amounting to P2,075,000 presented as part of trade and other receivables in the statements of financial position. Partial bond was refunded to the Club amounting to P1.39 million.

In 2017, the Club's then Sous Chef Flordeliza Solquio filed a case for illegal dismissal with money claims and damages against the Club which was resolved by the Labor Arbitrator in favor of the complainant. The Club's external legal counsel filed an appeal complete with an appeal cash bond of P1.099 million. This case has been resolved and complainant was paid amounting to Php0.30M while the balance of the appeal bond of P0.74M was refunded to the Club.

There is also an ongoing labor lawsuit against the Club relating to a complaint filed by the Club's Employees Union with the Office of the Secretary of Department of Labor and Employment claiming the wage differentials between the wage increases provided in the Collective Bargaining Agreement vis-a-vis the wage increases provided by NCR Wage Order Nos. 11, 12 and 13 in March 2008. On November 18, 2020, the Club and the Club's Employees Union executed a Compromise Agreement wherein the Club paid and the Union acknowledges having received an amount of P3,782,298 as full and complete settlement and satisfaction of the Voluntary Arbitrator Decision of the instant case. This amount was accrued and recognized as litigation expenses in 2020 (see Note 13).

Tax Refund/Issuance of Tax Credit Certificate

On July 14, 2020, the Club filed an application for tax refund/issuance of tax credit certificate to the BIR for the erroneous payments of Value Added Tax (VAT) as results of compliance with Revenue Memorandum Circular 35-2012 which eventually declared as invalid by the Supreme Court in the case of Association of Non-profit Clubs, Inc. vs. Bureau of Internal Revenue (GR No. 228539) for taxable period January 1, 2018 to July 31, 2019 amounting to P9,222,817.83. On July 22, 2020, the filed Petition for Review of the case to the Court of Tax Appeals. On December 9, 2020, the Club received a letter from the BIR denying the said application. The petition for review that was filed with the Court of Tax Appeal is currently on-going.



Others

There are no other commitments and contingent liabilities that may arise in the normal course of the Club's operations which are not reflected in the Club's financial statements. Management believes that losses, if any, these events and conditions will not have a material effect on the Club's financial statements.

19. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Club's principal financial instrument comprises mainly of cash in banks. The main purpose of this financial instrument is to finance the Club's operations. The Club has other financial assets and liabilities such as receivables, due from related parties, interest-bearing loans and borrowings, trade and other payables and lease liabilities.

The main risks arising from the Club's financial instruments are market risk, credit risk, and liquidity risk. The Board of Directors and management review and agree on the policies for managing each of these risks and they are summarized below.

Foreign Exchange and Interest Rate Risks

The Club does not have financial instruments denominated in foreign currencies. Also, the Club does not have financial instruments subject to floating interest rate, except cash, which has historically shown insignificant changes in interest rates. As such, the Club's management believes that the interest rate risks are not material.

Credit Risk

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the statements of financial position (or in the detailed analysis provided in the notes to financial statements), are summarized below:

	<u>2021</u>	<u>2020</u>
Cash in banks	P 13,976,148	P 9,486,876
Trade and other receivables - net	<u>22,892,174</u>	<u>20,662,201</u>
	<u>P 36,868,322</u>	<u>P 30,149,077</u>

The Club's trade and other receivables are actively monitored to avoid significant concentrations of credit risk.



In addition to impaired receivables, some of the unimpaired trade receivables are past due. The age of financial assets that are past due but not impaired as at September 30, 2021 and 2020 is as follows:

	2021	2020
Not more than 30 days	P 1,178,984	P 1,862,626
More than 30 days but not more than 60 days	821,828	2,030,358
More than 60 days	<u>9,002,663</u>	<u>2,766,694</u>
	<u><u>P 11,003,475</u></u>	<u><u>P 6,659,678</u></u>

Liquidity Risk

As at September 30, 2021 and 2020, the Club's maximum liquidity risk is the carrying amount of the trade and other payables of P24,695,322 in 2021 and P26,300,580 in 2020.

As at September 30, the financial liability have contractual maturities which are presented below:

	2021			
	Current		Non-current	
	Within 6 Months	6 to 12 Months	1 to 5 Years	Later 5 Years
Trade and other payables	P 20,817,864	P 3,877,458	P -	P -
	<u>P 20,817,864</u>	<u>P 3,877,458</u>	<u>P -</u>	<u>P -</u>
	2020			
	Current		Non-current	
	Within 6 Months	6 to 12 Months	1 to 5 Years	Later 5 Years
Trade and other payables	P 24,618,191	P 840,658	P -	P -
	<u>P 24,618,191</u>	<u>P 840,658</u>	<u>P -</u>	<u>P -</u>

The Club manages its liquidity needs by liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly. The Club maintains cash to meet its liquidity requirements for up to a 60-day period.

20. CATEGORIES AND FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts and fair values of the categories of financial assets and liabilities presented in the statements of financial position are shown below:

	2021		2020	
	Carrying Values	Fair Values	Carrying Values	Fair Values
<i>Financial Assets</i>				
Financial assets at amortized cost:				
Cash	P 13,976,148	P 13,976,148	P 9,563,876	P 9,563,876
Trade and other receivables	<u>22,892,174</u>	<u>22,892,174</u>	<u>20,662,201</u>	<u>20,662,201</u>
	<u>P 36,868,322</u>	<u>P 36,868,322</u>	<u>P 30,226,077</u>	<u>P 30,226,077</u>
<i>Financial Liabilities</i>				
Financial liability at amortized cost:				
Trade and other payables	<u>P 24,695,322</u>	<u>P 24,695,322</u>	<u>P 26,300,580</u>	<u>P 26,300,580</u>

The methods and assumptions used by the Club in estimating the fair value of the financial instruments are as follows:

i. *Cash*

The carrying amounts approximate fair values given the short-term nature of the instruments.

ii. *Trade and other receivables*

Trade and other receivables are net of impairment losses. The estimated fair value of trade and receivables represents the discounted amount of estimated future cash flows expected to be received. The carrying amounts approximate fair values given the short-term duration of the receivables.

iii. *Trade and other payables*

Trade and other payables are recognized initially at their fair value and subsequently measured at amounts to which they are to be paid. Fair value of these short-term liabilities approximates their carrying values.

Financial assets and liabilities measured at fair value in the statement of financial position are categorized in accordance with the fair value hierarchy based on PFRS 7. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the resource or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and,



- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

There have been no significant transfers among Levels 1, 2 and 3 in the reporting periods.

As at September 30, 2021 and 2020, there were no financial assets measured at fair value.

21. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Club's goal in capital management is to keep its current liabilities level at a minimum. The Club sustained its operations through internally generated funds and sound working capital management (i.e., proper balancing between receivables and payables).

To maintain or adjust the capital structure, the Club may return capital to members, issue new certificates, or sell assets to reduce liabilities.

The Club is not subject to any externally imposed capital requirements.

The Club monitors capital based on the carrying amount of which member's equity amounted to P7,967,748 and P4,700,962 as at September 30, 2021 and 2020, respectively. As mentioned in Note 16, the Club received the deposit for membership fee certificates subscription of P27,479,806, presented as non-current liabilities in the statements of financial position. Had the said deposit for membership fee certificates subscription been included as part of equity, this will increase futher Total Members' equity to P35,447,554 and 32,180,768 as at September 30, 2021 and 2020, respectively.

22. IMPACT OF 2019 NOVEL CORONAVIRUS (COVID-19)

The COVID-19 pandemic has developed rapidly in 2020 with a significant number of cases. This contagious disease outbreak has adversely affected workforces, economies, and global financial markets. Measures taken by the Philippine government including local government units to contain the virus have significantly affected economic activity and the Club's business in various ways such as reduction of economic activity, the requirement to close establishment and requirement for all of the personnel reduced the working hours has resulted in a significant reduction in sales.

As a result of these effects, the Club reported revenues of P88,831,464 in 2021 compared to P104,653,668 in 2020 or a significant decline of P15,822,204 or 15%.

There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19 as well as its impact on the global economy. The Club is currently unable to determine the extent of the impact on its future financial condition or results of operations. Management believes that the Club will continue operating despite the effects of the pandemic.



23. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE (BIR)

Presented below is the supplementary information which is required by the BIR under its existing revenue regulations to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

Requirements under Revenue Regulations (RR) 15-2010

The information on taxes, duties and license fees paid or accrued during the taxable year required under RR 15-2010 issued on November 25, 2010 are as follows:

a. *Output VAT*

In the taxable year 2021, the Club declared output VAT amounted to P6,714,151 relating to taxable sales of goods and services amounting to P55,951,252. The Club's exempt sales/receipts pursuant to Section 109, VAT Exempt Transactions, of the 1997 National Internal Revenue Code amounted to P34,618,594.

The outstanding output VAT payable amounting to P273,207 as at September 30, 2021 is net of input VAT which is presented as part of Other payables under Trade and other payables account in the 2021 statement of the financial position (see Note 10).

b. *Input VAT*

The movements in input VAT in the taxable year 2021 are summarized below:

Domestic purchase of goods	P 1,064,472
Domestic purchase of services	1,877,336
Deductions from input VAT	(1,043,953)
Applied against output VAT	(1,897,855)
Balance at end of year	P -

c. *Landed Cost, Custom Duties and Tariff Fees*

The Club did not have any transactions which were subject to customs duties and tariff fees in the taxable year 2021.

d. *Excise Tax*

The Club did not have excise tax in the taxable year 2021 since it did not have any transactions which are subject to an excise tax.

e. *Documentary Stamp Tax (DST)*

The Club did not have a documentary stamp tax in the taxable year 2021.



f. Taxes and Licenses

The details of taxes and licenses account are broken down as follows:

Real property taxes	P	3,361,739
Business permit		2,477,788
Capital gains		97,679
Management Information System fees		32,196
Fines and penalties		20,000
Motor registration		1,764
Annual registration		500
Others		<u>4,650</u>
	P	<u>5,996,316</u>

g. Withholding Taxes

The details of total withholding taxes for the taxable year ended September 30, 2021 are shown below:

Compensation	P	435,902
Expanded		<u>409,377</u>
	P	<u>845,279</u>

h. Deficiency Tax Assessments and Tax Cases

As at September 30, 2021, the Club neither has tax assessment received with the BIR nor tax case outstanding or pending in courts or bodies outside of the BIR in any of the open years.

Requirements under Revenue Regulations (RR) 34-2020

On December 18, 2020, the BIR issued RR 34-2020 which prescribes the guidelines and procedures for the submission of BIR Form No. 1709, Transfer Pricing Documentation (TPD) and other supporting documents. As at December 31, 2021, the Club is not covered by the requirements and procedures for related party transactions provided under this RR.