PALACIO DEL GOBERNADOR CONDOMINIUM CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
(A Non-Stock Non-Profit Organization)
(In Philippine Peso)

1. GENERAL INFORMATION

The Palacio del Gobernador Condominium Corporation (PDGCC) is a non-stock and non-profit condominium corporation created by virtue of the Master Deed with Declaration of Restrictions executed on August 30, 1976 pursuant to the provisions of Republic Act (RA) No. 4726, the Condominium Act and Act No. 1459, Corporation Code. The PDGCC was registered with the Securities and Exchange Commission (SEC) on September 27, 1976 under Registration No. 69822.

The PDGCC was formed and organized for the purpose of holding title to all the common areas in the Palacio del Gobernador Condominium Project. This project comprises the land and building where the site is regarded as a historical landmark by the National Historical Commission of the Philippines.

Membership in the PDGCC is an appurtenance to the ownership of condominium unit. It is controlled by the Government of the Republic of the Philippines, thru the following agencies, upon acquisitions of all the units in the eight-story building of the project since the years 1980 to 1981, partitioned as follows:

Bureau of the Treasury (BTr)	¼ of the 1st floor, 2nd, 3rd, 4th and 6th floors
Intramuros Administration (IA)	5th floor
Office of the President of the Philippines (OP)	¾ of the 1st floor, 7th and 8th floors

The PDGCC is governed by the Board of Directors whose eight members represent the BTr, IA and OP. As at December 31, 2020, the PDGCC is headed and represented by President/Chairwoman Rosalia V. De Leon who is also the incumbent Treasurer of the Republic of the Philippines. The PDGCC also has an Administrative Committee created in January 2006 composed of a Chairman and four members.

The PDGCC generates common fund from assessments it receives from unit owners/members and tenants used for expenses necessary in the administration of the Project.

As at December 31, 2020, the Corporation has four regular and one contractual personnel. The Corporation's principal address is at General Luna corner Andres Soriano, Jr. Streets, Intramuros, Manila.

The financial statements of the Corporation as at and for the year December 31, 2020 (including the comparative financial statements as at and for the year ended December 31, 2019) were authorized for issue by the Board of Directors on April 27, 2021.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1 Statement of Compliance

The financial statements of PDGCC have been prepared in accordance with Philippine Financial Reporting Standard (PFRS) for Small Entities (SEs). PFRS for SEs is adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board. The FRSC has approved on December 13, 2017 the adoption of PFRS for SEs (the “Framework”). This Framework is intended for use by small entities as defined by the SEC.

PDGCC has also adopted COA Circular No. 2017-004 – December 13, 2017 - Guidelines on the preparation of financial statements and other financial reports and implementation of the PFRS by Government Corporations Classified as Government Business Enterprises and Philippine Public Sector Accounting Standards by Non-Government Business Enterprises and COA Circular No. 2020-002 - January 28, 2020 - Adoption of the Updated Revised Chart of Accounts for Government Corporations (2019).

2.2 Basis of Preparation of Financial Statements

The financial statements of PDGCC have been prepared on historical basis unless otherwise indicated.

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

2.3 Functional and Presentation Currency

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

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

2.4 Going Concern Basis of Accounting

The Management has assessed the Corporation’s ability to continue as a going concern and is satisfied that the Corporation has the resources to continue in business for the foreseeable future. Furthermore, Management is not aware of any material uncertainties that may cast significant doubt upon the Corporation’s ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PFRS for SEs have been published and issued by the SEC and adopted by FRSC of the Philippines which became effective for accounting periods beginning on or after January 1, 2019. The significant accounting policies applied in the preparation of these financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The adoption of the said standards, amendments and interpretations, upon which the Corporation has opted to adopt for the financial statements, did not have any significant effect on the Corporation's financial statements. These, however, require additional disclosures on the Corporation's financial statements.

3.1 Financial Instruments

a. Date of recognition

A financial asset or liability is recognized only when the Corporation becomes a party to a contractual provision of the instrument.

b. Initial recognition

Basic financial assets and financial liabilities are initially measured at the transaction price unless the arrangement constitutes, in effect, a financing transaction. A financing transaction may be indicated in relation to the sale of goods or services, for example, if payment is deferred beyond normal business terms or is financed at a rate of interest that is not a market rate. If the arrangement constitutes a financing transaction, measure the financial asset or financial liability at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

c. Measurement subsequent to initial recognition

Financial instruments shall be measured without any deduction for transaction costs the entity may incur on sale or other disposal. Debt instruments shall be measured at amortized cost using the effective interest method. Cash and debt instruments that are classified as current assets or current liabilities shall be measured at the undiscounted amount of the cash or other consideration expected to be paid or received (i.e., net of impairment) unless the arrangement constitutes, in effect, a financing transaction. If the arrangement constitutes a financing transaction, the entity shall measure the debt instrument at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Amortized Cost and effective interest method

Amortized cost is the net of the amount at which the financial instrument is measured at initial recognition, minus repayments of the principal; plus/minus the cumulative amortization using the effective interest method of any difference between the amount at initial recognition and the maturity amount; minus reduction for impairment or uncollectibility (for financial assets).

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, when appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments measured subsequently at amortized cost. Interest income is recognized in profit and loss. Financial asset under this category includes investment in treasury bills.

d. Derecognition

A financial asset (or, where applicable a part of a financial asset or group of financial assets) is derecognized only when:

- the contractual rights to the cash flows from the financial asset expire or are settled; or
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset.

A financial liability (or a part of a financial liability) is derecognized only when it is extinguished - i.e., when the obligation specified in the contract is discharged, is cancelled or has expired.

e. Impairment

The Corporation assesses at each reporting date whether there is objective evidence that a financial instrument is impaired.

Objective evidence that a financial asset or group of assets is impaired includes observable data that come to the attention of the entity about the following loss events: a) a breach of contract by the debtor, such as a default or delinquency in interest or principal payments; b) the entity, for economic or legal reasons relating to the debtor's financial difficulty, granting to the debtor a concession that the entity would not otherwise consider; or c) significant financial difficulty of the debtor or the issuer or it has become probable that the debtor or the issuer will enter bankruptcy or other financial reorganization.

For instruments measured at amortized cost, the impairment loss is the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the asset's original EIR. If such a financial instrument has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR determined under the contract.

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

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

3.2 Cash and Cash Equivalents

Cash and cash equivalents of PDGCC include Petty Cash Fund (PCF), Cash in Banks in current and savings accounts. PCF is maintained under imprest system. All replenishments are directly charged to the appropriate expense account.

3.3 Inventories

Inventories held for consumption are measured at lower of cost or market. Cost includes the costs of purchase (including taxes, transport, and handling) net of trade discounts received and other costs incurred in bringing the inventories to their present location and condition. Inventories also include semi-expendable equipment costing less than P15,000. Said inventories are recognized as expense once issued, transferred, lost or disposed.

Impairment of Inventories

At each reporting date, inventories are assessed whether any inventories are impaired. The entity shall make the assessment by comparing the carrying amount of each item of inventory (or group of similar items) with its market value. If an item of inventory (or group of similar items) is impaired, the entity shall reduce the carrying amount of the inventory (or the group) to its market value. Market value is determined as the probable selling price to willing buyers as of reporting date. That reduction is an impairment loss and it is recognized immediately in profit or loss.

When the circumstances that previously caused inventories to be impaired no longer exist, or when there is clear evidence of an increase in market value because of changed economic circumstances, the entity shall reverse the amount of the impairment (i.e., the reversal is limited to the amount of the original impairment loss) so that the new carrying amount is the lower of the cost and the revised market value.

3.4 Property and Equipment

a. Recognition

An item is recognized as property and equipment (PE) if it meets the characteristics and recognition criteria as a PE.

The characteristics of PE are as follows:

i. Tangible items;

ii. Are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
iii. Are expected to be used during more than one reporting period.

An item of PE is recognized as an asset if:

i. It is probable that future economic benefits or service potential associated with the item will flow to the entity;
ii. The cost or fair value of the item can be measured reliably; and
iii. The cost is at least P15,000.

b. Measurement at recognition

An item recognized as PE is measured at cost. A PE acquired through non-exchange transaction is measured at fair value as at the date of acquisition.

Cost includes the following:

i. Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
ii. Expenditures that is directly attributable to the acquisition of the items; and
iii. Initial estimates of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired, or as a consequence of having used the item during particular period for purposes other than to produce inventories during that period.

c. Measurement after recognition

After recognition, all PE are stated at cost less accumulated depreciation and impairment losses.

When significant parts of PE are required to be replaced at intervals, the Corporation recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major repair/replacement is done, its cost is recognized in the carrying amount of the PE as a replacement if the recognition criteria are satisfied.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the statement of income in the year the asset is derecognized. All other repair and maintenance costs are recognized in the statement of income.

d. Depreciation

Each part of an item of PE with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognized as expense unless it is included in the cost of another asset.

i. Initial recognition of depreciation

Depreciation of an asset begins when it is available for use such as when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

For simplicity and to avoid proportionate computation, the depreciation for one month if the PE is available for use on or before the 15^{th} of the month. However, if the PE is available for use after the 15^{th} of the month, depreciation is for the succeeding month.

ii. Depreciation method

The straight line method of depreciation is adopted unless another method is more appropriate for the Corporation's operation.

iii. Estimated useful life

The Corporation uses the life span of PE prescribed by COA in determining the specific estimated useful life for each asset.

iv. Residual value

The Corporation uses residual value equivalent to at least five per cent of the cost of the PE.

e. Impairment

At each reporting date, the cost of property and equipment is reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in profit or loss. If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset (group of related assets) in prior years. A reversal of an impairment loss is recognized immediately in the statement of income.

f. Land and other common areas

Pursuant to Philippine Interpretations Committee Question and Answer No. 2016-03, with the subject accounting for common areas (including land) that were constructed before the creation of the Condominium Corporation and the accounting treatment for subsequent cost related to common areas incurred by the Condominium Corporation, which became effective on January 1, 2018 and has retrospective application, land and other common areas should not be recognized in the financial statements.

3.5 Provisions and Contingencies

Provisions are recognized when PDGCC has a present legal or constructive obligation as a result of past events; it is probable that a transfer of economic benefits will be required to settle the obligation; and the amount can be reliably estimated.

When the effect of the time value of money is material, the amount of a provision shall be the present value of the amount expected to be required to settle the obligation. The discount rate (or rates) shall be a pre-tax rate (or rates) that reflect(s) current market assessments of the time value of money. The risks specific to the liability should be reflected either in the discount rate or in the estimation of the amounts required to settle the obligation, but not both. When the effect of the time value of money is material, the amount of a provision shall be the present value of the amount expected to be required to settle the obligation. The discount rate (or rates) shall be a pre-tax rate (or rates) that reflect(s) current market assessments of the time value of money. The risks specific to the liability should be reflected either in the discount rate or in the estimation of the amounts required to settle the obligation, but not both.

In cases where the possible outflow of economic resource 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, possible inflows of economic benefits to the PDGCC 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 PDGCC 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.

3.6 Revenue Recognition

Revenue is the gross inflow of economic benefits during the period arising in the course of the ordinary activities of an entity when those inflows result in increases in equity, other than increases relating to contributions from equity participants. In addition, revenue is measured at the fair value of the consideration received or receivable. The fair value of the consideration received or receivable is after deducting the amount of any trade discounts, prompt settlement discounts and volume rebates allowed by the entity. The fair value also takes into account the time value of money.

3.7 Expense Recognition

Expenses are recognized in the statement of income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably:

a. on the basis of a direct association between the expense incurred and the earning of specific items of income;

b. on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or

c. immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the statements of financial position as an asset.

3.8 Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. As a lessor, PDGCC recognizes all lease receipts as income in profit or loss in the period in which they are earned.

3.9 Equity

Equity includes investments by the owners of the entity, plus additions to those investments earned through profitable operations and retained for use in the entity's operations, minus reductions to owners' investments as a result of unprofitable operations and distributions to owners.

Government Equity represents ownership of the members: the BTr, OP and the IA, in the net assets of the PDGCC. Retained earnings represent all current and prior period results of operations as reported in the statements of income.

3.10 Related Party Transactions and Relationship

Related party transactions are transfers of resources, services or obligations between PDGCC and its related parties, regardless 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 parties include individuals representing the agency-members of the PDGCC who own unit/s in the Project and, as an appurtenance, have voting power and control over the PDGCC.

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

3.11 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about PDGCC'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.

3.12 Employee Benefits

The employees of the Corporation are members of the Social Security System (SSS), which provides life and retirement insurance coverage. In addition, the

Corporation has a reserve fund to cover the retirement program under Board Resolution No. 96-003 dated January 31, 1996, which provides as follows:

a. Compulsory Retirement

The PDGCC shall provide a retirement benefit of one-month salary for every year of service, a fraction of six months being considered as one whole year, to an employee upon reaching the compulsory retirement age of 65 years old, who has served at least five years in the Corporation.

b. Optional Retirement

The PDGCC shall provide retirement benefits of one-half month salary for every year of service, a fraction of at least six months being considered as one whole year, to an employee upon reaching the age of:

• Employee's Option	55 years of age plus 10 years of service, or 20 years of service if below 55 years old
• Company's Option	55 years of age plus 10 years of service, or 60 years of age

c. Termination Due to Disability

The PDGCC may terminate the services of an employee who has been found to be suffering from a disease and whose continuous employment is prohibited by law or is prejudicial to his health as well as to the health of his co-employees. Such employee shall be paid separation pay equivalent to at least one-half month salary for every year of service, a fraction of at least six months being considered as one whole year.

The Corporation recognizes the undiscounted amount of short-term employee benefits, like salaries, wages, bonuses, allowance, etc., as expense unless capitalized, and as a liability after deducting the amount paid.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The PDGCC's financial statements prepared in accordance with PFRS for SEs 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 the circumstances. Actual results may ultimately differ from these estimates.

4.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying the PDGCC's accounting policies, Management made judgment, apart from those involving estimation, which have significant effect on the amounts recognized in the financial statements in relation to the recognition of provisions and contingencies where judgment is exercised by Management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provisions and contingencies are presented in Note 3.5.

4.2 Key Sources of Estimation Uncertainty

Key assumption concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The PDGCC estimates the useful lives of PE based on the period over which the assets are expected to be available for use. The estimated useful lives of PE 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. The carrying amounts of PE are analyzed in Note 10.

5. CASH AND CASH EQUIVALENTS

This account is composed of the following:

	2020	2019
Petty cash	**2,965**	138
Cash in bank - current account	**16,576,915**	18,634,184
Cash in bank - saving account	**94,494**	107,704
	16,674,374	18,742,026

Cash in bank account includes unreleased checks amounting to P250,772 and P3.757 million as at December 31, 2020 and 2019, respectively.

Cash in bank account also includes restricted cash from the MERALCO refund amounting to P4.257 million and retirement fund of employees amounting to P436,904.

6. FINANCIAL ASSETS

This account consists of Investment in treasury bills – local amounting to P10,281,517 and P7,500,206 as of December 31, 2020 and 2019, respectively, acquired through secondary market on May 28, 2020 and July 8, 2020 with 293-day and 329-day term, respectively.

7. RECEIVABLES

This account is composed of the following:

	2020	2019
Due from National Government Agencies		
Due from Commission on Election (COMELEC)	**5,748,628**	6,370,534
Due from BTr	**544,521**	3,385,157

	2020	2019
Due from National Coordinating Office (NCO)	**940,198**	929,765
Due from IA	**282,770**	893,170
Due from Presidential Anti-Corruption Commission (PACC)	**421,107**	415,586
Due from National Tax Research Center (NTRC)	**74,670**	85,307
Due from Municipal Development Fund Office (MDFO)	**252,215**	0
	8,264,109	12,079,519
Due from Government Corporations		
Due from Land Bank of the Philippines (LBP)	**202,740**	222,078
Due from Pag-IBIG Fund	**246,678**	156,221
	449,418	378,299
Other Receivables		
Assessment dues receivables	**747,395**	1,289,410
Other receivables	**1,970,054**	1,742,544
	2,717,449	3,031,954
Due from Officers and Employees	**16**	16
	11,430,992	15,489,788

Due from COMELEC, LBP, IA, Pag-IBIG and BTr accounts represent advances made by the Corporation for the payment of their electric and water consumption. It also includes the amount paid in advance by the Corporation for major expenditures chargeable against and separately billed to occupants.

Other Receivables account consists of Assessment dues receivable that represents the unpaid pro-rata share from occupants for the operating expenses in maintaining the common areas and receivables from lessees for their unpaid electric consumption. It also includes the amount of P84,050 representing the undeposited collections in 2006 and 2007 and overpayment of salary of terminated employee.

8. INVENTORIES

This account is composed of inventory held for consumption, as follows:

	2020	2019
Office supplies inventory	**98,818**	26,437
Accountable forms inventory	**4,700**	5,200
Other supplies and materials inventory	**48,490**	51,620
Semi-expendables – ICT equipment	**54,971**	0
Semi-expendables – furniture and fixtures	**30,872**	0
	237,851	83,257

9. PREPAYMENTS

This account represents the unexpired portion of the insurance premium amounting to P2,943 as at December 31, 2019.

10. PROPERTY AND EQUIPMENT, NET

This account is composed of the following:

	IT equipment	Furniture & fixtures	Office equipment	Other PE	Total
Cost					
January 1, 2019	496,663	101,410	132,398	7,339,889	8,070,360
Additions	0	0	0	8,848,772	8,848,772
December 31, 2019	496,663	101,410	132,398	16,188,661	16,919,132
Accumulated depreciation					
January 1, 2019	358,436	82,915	71,826	3,240,766	3,753,943
Depreciation	29,539	9,634	25,126	1,101,009	1,165,308
December 31, 2019	387,975	92,549	96,952	4,341,775	4,919,251
Net book value December 31, 2019	108,687	8,861	35,446	11,846,887	11,999,881

	IT equipment	**Furniture & fixtures**	**Transportation equipment**	**Office equipment**	**Other PE**	**Total**
Cost						
January 1, 2020	**496,663**	**101,410**	**0**	**132,398**	**16,188,661**	**16,919,132**
Additions	**0**	**0**	**207,429**	**23,624**	**377,710**	**608,763**
Adjustments	**(302,313)**	**(32,500)**	**0**	**0**	**(87,598)**	**(422,411)**
December 31, 2020	**194,350**	**68,910**	**207,429**	**156,022**	**16,478,773**	**17,105,484**
Accumulated depreciation						
January 1, 2020	**387,975**	**92,549**	**0**	**96,952**	**4,341,775**	**4,919,251**
Depreciation	**83,855**	**5,053**	**16,421**	**29,644**	**1,730,174**	**1,865,147**
Adjustments	**(287,197)**	**(32,138)**	**0**	**0**	**(83,218)**	**(402,553)**
December 31, 2020	**184,633**	**65,464**	**16,421**	**126,596**	**5,988,731**	**6,381,845**
Net book value December 31, 2020	**9,717**	**3,446**	**191,008**	**29,426**	**10,490,042**	**10,723,639**

Other property and equipment amounting to P6.816 million are initially recorded at appraised value since the original cost of the properties cannot be determined reliably by the Corporation. Appraised value was based on the Appraisal report dated June 21, 2019 prepared by a private appraiser.

Transportation equipment represents the donated motor vehicle from BTr. It was also initially recorded at appraised value as determined by COA Technical Services Office. The useful life of the said equipment is consistent with the useful life of the same class of properties of the Corporation.

11. OTHER ASSETS

This account consists of unserviceable properties and deposit for telephone line subscription amounting to P26,950 and P308,588 as at December 31, 2020 and 2019, respectively.

12. INTER-AGENCY PAYABLES

This account consists of the following:

	2020	2019
Due to BIR	**229,746**	458,460
Due to SSS	**11,276**	11,276
Due to Pag-IBIG	**6,077**	1,178
Due to PhilHealth	**3,674**	3,189
	250,773	474,103

Due to BIR represents tax withheld for the month of December 2020 which was remitted on January 2021 pursuant to BIR rule that taxes withheld will be remitted on or before the 10th day of the following month the withholding is made.

13. TRUST LIABILITIES

This account includes guaranty/security deposits of lessees for leased areas at the building's roof deck where three transceiver stations were installed. It also includes the performance bond of the janitorial service provider and the preventive maintenance service provider.

14. OTHER UNEARNED INCOME

Other unearned income represents the advance payment of assessment dues from the BTr and advance payment of a lessee for lease rental as at year end.

15. OTHER PAYABLES

This account consists of:

	2020	2019
Other payables	**7,222,207**	5,338,086
Due to officers and employees	**264**	629
Due to utilities service provider (electricity)	**0**	6,053,099
Due to utilities service provider (water)	**0**	340,344
	7,222,471	11,732,158

Other payables account represents other accrued expenses such as preventive maintenance, janitorial, pest control, utilities as at year end. It also includes refund of overpayment of utility bills to other tenants amounting to P4.258 million.

The Due to officers and employees account represents excess deposit of retired employee.

16. PROVISIONS

This account consists of a reserve fund to cover the retirement program under Board Resolution No. 96-003 dated January 31, 1996, as stated in Note 3.5.

17. REVENUE

Business income account includes assessment dues from the occupants and the monthly lease rental of roof deck space from three telecommunication companies.

Interest income from bank deposit/financial assets represents income earned from savings and current deposits and earned discounts on treasury bills net of final withholding tax.

Miscellaneous income includes space lobby rentals from small entrepreneurs/sales agents/food vendors occupying small space at the lobby area and sale of bidding documents by the Bids and Awards Committee (BAC).

	2020	2019
BAC related income	**0**	54,000
Other miscellaneous income	**2,500**	114,000
	2,500	168,000

18. PERSONNEL SERVICES

This account is composed of the following:

	2020	2019
Salaries and wages - regular	**1,463,430**	1,391,172
Honoraria	**300,000**	386,000
Mid/year-end bonus	**244,282**	231,862
Personnel economic relief allowance	**96,000**	96,000
Retirement gratuity	**80,128**	88,273
Retirement and life insurance premium	**76,800**	71,744
Hazard pay	**58,500**	0
Pag-IBIG contribution	**28,916**	27,824
Clothing/uniform allowance	**24,000**	24,000
Cash gift	**20,000**	20,000
PhilHealth contribution	**21,687**	18,956
Overtime and night pay	**11,461**	4,642
EC contribution	**1,440**	1,440
Other bonuses and allowances	**80,000**	60,000
	2,506,644	2,421,913

19. MAINTENANCE AND OTHER OPERATING EXPENSES (MOOE)

This account is composed of the following:

	2020	2019
Repairs and maintenance	**5,186,814**	9,078,324
Janitorial services	**4,262,133**	2,735,056
Security services	**3,665,408**	3,602,482
Depreciation expense	**1,865,148**	1,165,308
Consultancy services	**783,828**	703,914
Insurance expense	**618,159**	246,142
Telephone and internet expense	**405,551**	380,061
Other supplies and materials expense	**201,631**	155,111
Auditing services	**173,837**	171,764
Semi-expendable expense - machinery and equipment	**146,259**	1,627
Office supplies expense	**102,810**	87,634
Extraordinary and miscellaneous expense	**100,012**	196,844
Fuel, oil, and lubricants expense	**42,018**	9,712
Transportation and delivery expense	**19,462**	4,562
Other professional services	**3,808**	68,808
Fidelity bond premium	**1,500**	1,500
Accountable forms expense	**500**	3,600
Cable, satellite, telegraph, and radio expense	**0**	6,039
Training expense	**0**	3,630
Bank charges	**0**	788
Postage and courier services	**0**	540
Other MOOE	**2,110,374**	694,229
	19,689,252	19,317,675

Other MOOE mainly represents expenses for building maintenance such as pest control, water treatment, sanitation and disinfection.

20. POWER AND WATER CONSUMPTION

The total amount of electricity and water consumption of the entire building of the condominium project are shown below:

	2020	2019
Electricity	**26,543,831**	39,853,870
Water	**5,706,784**	7,241,913
	32,250,615	47,095,783

Electricity and water consumption of the entire building are borne by the unit owners/occupants. The monthly statements of accounts of utility companies are directly billed to PDGCC based on monthly reading per mother meter. The Corporation makes advance payment to the utility companies and bills the occupants accordingly, as reimbursement of the total amount paid by the Corporation based on their monthly consumption per sub-meter. Any difference between the mother meter and sub-meters are charged to the common areas and shared proportionately based on the determined share of the occupants.

No amount of power and water consumption is determined or allocated in the annual budget of the Corporation. It is neither recognized as revenue nor expense of the Corporation. Unit owners/occupants reimburse PDGCC for the advance payment made to the utility companies, since all power and water consumptions are borne by unit owners/occupants. Hence, it is treated as receivables from occupants and not an expense of the Corporation.

21. GOVERNMENT EQUITY

Government equity represents ownership of the members, the Bureau of the Treasury (BTr), Office of the President of the Philippines (OP) and the Intramuros Administration (IA), in the net assets of PDGCC.

Membership in the PDGCC is an appurtenance to the ownership of condominium unit. It is controlled by the Government of the Republic of the Philippines, thru the following agencies, upon acquisition of all the units in the eight-story building of the project since the years 1980 to 1981, partitioned as follows:

BTr	¼ of the 1st floor, 2nd, 3rd, 4th and 6th floors (15,606.31 sq. m)
IA	5th floor (3,710.60 sq. m)
OP	¾ of the 1st floor, 7th and 8th floors (9,589.85 sq. m)

Other adjustments represent the recognition of appraised value of various PE.

22. RETAINED EARNINGS

The Retained earnings was appropriated for the projects of PDGCC, as follows:

Projects	**2020**	2019
Rehabilitation of 3rd, 4th, basement and ground floor comfort rooms	**2,417,711**	0
Monetization of leave credits	**831,729**	831,729
Furniture for the improvement of PDGCC lobbies	**616,000**	616,000
Replacement of one set transfer pump controller duplex type	**463,000**	0
Replacement parts for elevators three and four	**45,024**	0
Rehabilitation of multi-riser of communication service cabling	**0**	800,000
Rehabilitation of lobby comfort rooms (5th to 8th Floor)	**0**	518,412
	4,373,464	2,766,141

Retained earnings also includes unappropriated portion amounting to P8.655 million and P10.398 million for CYs 2020 and 2019, respectively.

Net adjustments amounting to P47,546 and P1,028 for CYs 2020 and 2019, respectively, represent unaccrued prior year’s expenses.

23. RELATED PARTY DISCLOSURES

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

The Board of Directors has the authority and responsibility for planning, directing, and controlling the activities of PDGCC. The eight members of the Board of Directors of the PDGCC as at December 31, 2020 are key officials of three government agencies owning unit/s in the condominium project. Details are as follows:

Name	Designation	Office	Date assumed
Rosalia V. De Leon	President	BTr	February 2017
McJill Bryant T. Fernandez	Vice President	OP	January 2019
Crisanta Leonor Chianpian	Alternate for Mr. Fernandez	OP	January 2019
Atty. Gisela F. Lood	Corporate Secretary	BTr	November 2003
Sharon P. Almanza	Treasurer	BTr	April 2018
Ma. Nanette C. Diaz	Assistant Treasurer	BTr	June 2003
Jone Rechie L. Gigayon	Member	OP	June 2019
Atty. Floreida A. Apolinario	Member	OP	June 2019
Atty. Guiller B. Asido	Assistant Corporate Secretary	IA	April 2017

The positions of the Board of Directors of the Corporation are without compensation. Only per diems are given to the members of the Governing Board for attendance in meetings, reasonable communication expenses in their performance of official duties and performance-based incentives for exceeding performance targets. No other allowance is granted.

PDGCC Board of Directors received communication allowance of P192,000 and per diem of P350,000 for the year 2020 and P192,000 and P325,000 for the year 2019, respectively.

There is no existing agreement between the Corporation and the Board of Directors relative to purchases of goods and services, rendering of services, provisions for neither guaranties nor settlement of liabilities on behalf of the Corporation.

Significant transactions with unit owners consist of receivables and payables. The year-end balances in respect of related parties included in the financial statements are as follows:

	2020	2019
Due from BTr	**544,521**	3,385,157
Due from OP	**421,107**	415,586
Due from IA	**282,770**	893,170
	1,248,398	4,693,913

24. RECLASSIFICATIONS

The following accounts pertaining to CY 2019 were reclassified to be comparable with CY 2020 figures:

FS affected	Particulars	From	To	Amount
Statements of Financial Position	Investment on treasury bills	Investment	Financial assets	7,500,206
Statements of Financial Position	Deposit on utility subscription	Other deposit	Other assets	2,000
Statements of Financial Position	Due to officers and employees	Financial liability	Other payables	629
Statements of Income	Interest income on financial assets	Other comprehensive income	Interest income from bank/ financial asset	86,097
Statements of Cash Flows	Miscellaneous income	Proceeds from sale of BAC documents	Miscellaneous income	3,000

25. COMPLIANCE WITH TAX LAWS

Presented below is the supplementary information which is required by the Bureau of Internal Revenue (BIR) under existing revenue regulations (RR).

25.1 Requirements under RR No. 15-2010

In compliance with the requirements set forth in BIR RR No. 15-2010, hereunder is the information on withholding taxes paid/remitted during the taxable year:

	2020	2019
Tax on compensation	**83,533**	67,631
Creditable withholding tax	**833,129**	1,111,054
Final withholding tax	**71,941**	73,830
Final VAT withholding	**2,112,501**	2,842,947
	3,101,104	4,095,462

Taxes amounting to P229,745 represents tax withheld for the month of December 2020 remitted in January 2021 pursuant to the BIR rule that the taxes withheld will be remitted on or before the 10th day of the following month the withholding is made.

25.2 Tax assessment

The Corporation has no tax cases, under preliminary investigation, litigation and/or prosecution in the courts or bodies outside BIR.

25.3 Requirements under RR No. 19-2011, as amended

RR No. 19-2011 requires schedules of taxable revenues and other non-operating income, cost of sales and services, itemized deductions, and other significant tax information, to be disclosed in the Notes to the Financial Statements.

PDGCC secured from BIR the updated Certificate of Registration (COR) with OCN No. 1RC0001102413 as replacement to old COR (1556).

The PDGCC is compliant to the filing of BIR Form Nos. 1702 EX (Annual Income Tax Return - Exempt), 1604CF (Annual Information Return of Income Tax Withheld on Compensation and Final Withholding Taxes, 1604E (Annual Information Return of Creditable Income Taxes Withheld/Income Payments Exempt from Withholding Taxes), and other BIR returns required for a withholding agent to file and remit the amount due thereon.

The PDGCC has also complied to the filing of returns through the E-Filing System as prescribed by the BIR per RR Nos. 6-2014 and 5-2015 dated September 5, 2014 and March 17, 2015, respectively.