PALACIO DEL GOBERNADOR CONDOMINIUM CORPORATION
A Non-Stock Non-Profit Organization
NOTES TO FINANCIAL STATEMENTS
December 31, 2024 and 2023
(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 (NHCP).

The Corporation operated as a private entity from Calendar Years (CYs) 1976 to 2003. It became a Government Owned and Controlled Corporation (GOCC) on July 3, 2003, through Board Resolution No. 07-002, series of 2003, wherein the Board of Directors (BOD) acknowledged and approved the findings/opinion of the Office of the Government Corporate Counsel (OGCC) in its Opinion No. 029, series of 2003, dated March 5, 2003 that PDGCC is a GOCC subject to existing laws, rules, and regulations applicable to GOCCs.

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

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

The PDGCC is governed by the BOD whose eight members represent the BTr, IA and OP. They also occupy the position as President, Vice President, Treasurer, Assistant Treasurer, Secretary, Assistant Secretary, Legal Counsel, and Internal Auditor of the PDGCC. As at December 31, 2024, the PDGCC is headed and represented by President/Chairperson Sharon P. Almanza who is also the Treasurer of the Philippines. The PDGCC also has an Administrative Committee created in January 2006 that is presently composed of a Chairperson and four members.

The PDGCC generates funds from assessments it receives from unit owners/members and tenants in the building used for expenses necessary in the administration of the project.

As at December 31, 2024, the Corporation has five regular 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 ended December 31, 2024 (including the comparative financial statements as at and for the year ended December 31, 2023) were authorized for issue by the BOD on March 4, 2025.

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 SEC.

PDGCC has also adopted Commission on Audit (COA) Circular No. 2017-004 dated 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 (now Commercial Public Sector Entities (CPSEs)) and Philippine Public Sector Accounting Standards by Non-Government Business Enterprises and COA Circular No. 2020-002 dated 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.

Relative to the power and water consumption of the PDGCC building, no amount 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 the PDGCC for the advance payments 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.

2.3 Functional and Presentation Currency

The financial statements are presented in Philippine Peso, 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 it has the resources to continue in business for the foreseeable future. Accordingly, management has not determined material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. 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 are prepared on a going concern basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PFRS for SEs have been published and issued by 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 the 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 significant impact on the Corporation's financial statements. These, however, require additional disclosures on the Corporation's financial statements.

3.1 Financial Instruments

a. Initial Recognition

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

b. Initial Measurement

Basic financial assets and financial liabilities are initially measured at the transaction price unless the arrangement constitutes, in effect, a financial 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. Subsequent Measurement

Financial instruments are measured without any deduction for transaction costs that the entity may incur on sale or other disposal. Debt instruments are measured at amortized cost using the effective interest method. Cash and debt instruments that are classified as current assets or current liabilities are 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 Corporation measures 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 effective interest method of any difference between the amount at initial recognition and the maturity amount; minus reduction of impairment or collectability (for financial assets).

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the carrying amount of the financial asset or financial liability. The effective interest rate is determined on the basis of the carrying amount of the financial asset or liability at initial recognition. Under the effective interest method: a) the amortized cost of a financial asset (liability) is the present value of future cash receipts (payments) discounted at the effective interest rate; and b) the interest expense (income) in a period equals the carrying amount of the financial liability (asset) at the beginning of a period multiplied by the effective interest rate for the period.

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 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, cancelled or has expired.

e. Impairment

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

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter into bankruptcy or other financial reorganization and where observable data indicates that there is measurable decrease in the estimated future cash flows.

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 Effective Interest Rate (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 Corporation reverses the previously recognized impairment loss either directly or by adjusting an allowance account. The reversal does not result in 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 Corporation recognizes the amount of the reversal in statement of income immediately.

3.2 Cash and Cash Equivalents

Cash includes Petty Cash Fund (PCF) and Cash in Banks in current and savings accounts. The PCF is maintained under imprest system. All replenishments are directly charged to the appropriate expense account.

Cash equivalents are short-term, highly liquid investments held to meet short-term cash commitments rather than for investment or other purposes. Therefore, an investment qualifies as a cash equivalent only when it has a short maturity of three months or less from the date of acquisition.

3.3 Inventories

Inventories held for consumption are measured at cost. 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 P50,000. Said inventories are recognized as expense once issued, transferred, lost or disposed.

<u>Impairment of inventories</u>

At each reporting date, inventories are assessed whether any inventories are impaired. The Corporation makes 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 Corporation reduces 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 the statement of income.

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 Corporation reverses the amount of the impairment (i.e., 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 P50,000.

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 are 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.