

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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Company Name

P	H	I	L	I	P	P	I	N	E		C	A	N	I	N	E		C	L	U	B		I	N	C	.				

Principal Office (No./Street/Barangay/City/Town)Province)

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C	O	N	C	E	P	T	I	O	N		C	U	B	A	O		Q	U	E	Z	O	N		C	I	T	Y			

Form Type

A	F	S	
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Department requiring the report

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Secondary License Type, if Applicable

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COMPANY INFORMATION

Company's Email Address

info@pcci.org.ph

Company's Telephone Number/s

8721-8345

Mobile Number

09178507173

No. of Stockholders

N/A

Annual Meeting
Month/Day

05/21

Fiscal Year
Month/Day

12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person

AUGUSTO BENEDICTO SANTOS III

Email Address

dinkysantos@gmail.com

Telephone Number/s

8721-8345

Mobile Number

09175555805

Contact Person's Address

1742 BANYAN ROAD, DASMARIÑAS VILLAGE, MAKATI CITY

Note: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

****PHILIPPINE CANINE CLUB, INC.****

*Rm. A 206 Hillcrest Condominium
1616 E. Rodriguez Sr. Avenue, Cubao
Quezon City, Philippines
Contact Number: (02) 8-7218345*

THE FINANCIAL STATEMENTS

As of December 31, 2023 and 2022

April 03, 2024

Statement of Management's Responsibility for Financial Statements

The management of **PHILIPPINE CANINE CLUB, INC.** is responsible for all information and representations contained in the financial statements for the years ended December 31, 2023. The financial statements have been prepared in conformity with Philippine Financial Reporting Standards and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management likewise discloses to the company's audit committee and to its external auditor: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weaknesses in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The president reviews the financial statements before such statements are approved and submitted.

Flores Abad and Partners Co., the independent auditor and appointed by the president, has examined the financial statements of the company in accordance with Philippine Standards on Auditing (PSA) and has expressed its opinion on the fairness of presentation upon completion of such examination, in its report to president.



AUGUSTO BENEDICTO SANTOS III

President



EUGENE CHUA

Corporate Treasurer

April 03, 2024

Statement of Management's Responsibility for Annual Income Tax Return

The management of **PHILIPPINE CANINE CLUB, INC.** is responsible for all information and representations contained in the Annual Income Tax Return for the period ended December 31, 2023. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited to, the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the period ended December 31, 2023 and the accompanying Annual Income Tax Return are in accordance with the books and records of **PHILIPPINE CANINE CLUB, INC.**, complete and correct in all material respects. Management likewise affirms that:

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



AUGUSTO BENEDICTO SANTOS III
President



EUGENE CHUA
Corporate Treasurer



Flores Abad and Partners

Accounting and Tax Services

Rm. 02, 6th Floor, Haven Building, Congressional Avenue Extension, Quezon City
Landline Contact Number: (02) 8423-4062 / Cellphone Number: (+63) 945-110 6050 / (+63) 928 862 3784
Email Address: floresabad02@gmail.com

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees

Philippine Canine Club, Inc.
(A Non-stock, Non-Profit Organization)
Rm. A 206 Hillcrest Condominium
1616 E. Rodriguez Sr. Avenue, Cubao
Quezon City

We have audited the financial statements of **PHILIPPINE CANINE CLUB, INC.** for the year ended December 31, 2023, on which we have rendered the attached report dated April 03, 2024.

In compliance with Securities Regulations Code Rule 68, As Amended (2011), we are stating that as of December 31, 2023, the Club has five (5) Officers and 10 Directors with annual gross receipts of Php92 million or more.

FLORES ABAD AND PARTNERS CO.



Jenelyn Noble-Mahansala
Partner

CPA Certificate No. 00114345

Tax Identification No. 209-195-655-000

BOA Registration No. 3675 valid until May 18, 2024

B.I.R. A. N. 07-000128-004-2021 issued on December 2021

P.T.R. No. 5428128 issued on January 02, 2024, Quezon City

April 03, 2024



Flores Abad and Partners Accounting and Tax Services

Rm. 02, 6th Floor, Haven Building, Congressional Avenue Extension, Quezon City
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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees

Philippine Canine Club, Inc.
Rm. A 206 Hillcrest Condominium
1616 E. Rodriguez Sr. Avenue, Cubao
Quezon City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **PHILIPPINE CANINE CLUB, INC.**, which comprise the statements of financial position as of December 31, 2023 and 2022, and the statements of comprehensive income, statement of changes in equity and statements of cash flows for the years then ended and notes to the financial statements, including summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Company as of December 31, 2023 and 2022, and its financial performance, and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards for Small and Medium-sized Entities (PFRSs for SMEs).

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 Auditor's 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 (the Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards for Small Medium-sized Entities (PFRS for SMEs), 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 Company 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Club's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of its Club's financial statements.

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

- *Identify and assess the risks of material misstatement of the Club's 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 auditor's report to the related disclosures in the Club's financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.*
- *Evaluate the overall presentation, structure and content of the Club's financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.*

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit.

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

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 18 to the financial statements is presented for the purpose of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Philippine Canine Club, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Jenelyn Noble-Manansala.

FLORES ABAD AND PARTNERS CO.


Jenelyn Noble-Manansala
Partner

CPA Certificate No. 00114345

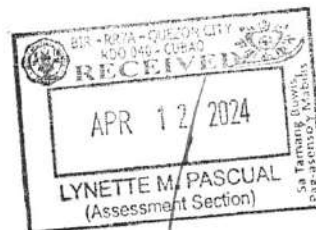
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B.I.R. A. N. 07-000128-004-2021 issued on December 2021

P.T.R. No. 5428128 issued on January 02, 2024, Quezon City

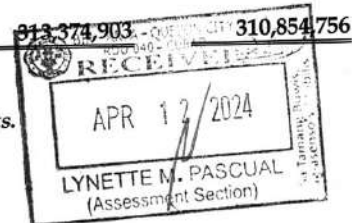
April 03, 2024



PHILIPPINE CANINE CLUB, INC.
(A Non-stock, Non-profit Organization)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022
(Amounts in Philippine Pesos)

	<u>Notes</u>	<u>2023</u>	<u>2022</u>
<u>A S S E T S</u>			
CURRENT ASSETS			
Cash and cash equivalents	4	95,156,803	219,369,218
Advances and other receivables - net	5	5,019,280	3,419,808
Prepayments and other current assets	6	7,234,288	5,631,044
Total Current Assets		<u>107,410,372</u>	<u>228,420,070</u>
NON-CURRENT ASSETS			
Investment in bonds	7	6,450,000	6,450,000
Property and equipment - net	8	195,013,891	71,375,491
Deferred tax assets	14	4,217,808	4,326,362
Other non-current asset	6	282,833	282,833
Total Non-current Assets		<u>205,964,532</u>	<u>82,434,686</u>
TOTAL ASSETS		<u>313,374,903</u>	<u>310,854,756</u>
<u>LIABILITIES AND FUND BALANCE</u>			
CURRENT LIABILITIES			
Accrued expenses and other payables	9	12,840,939	12,079,387
Unearned income	10	4,172,845	3,925,920
Income tax payable		-	1,804,085
Total Current Liabilities		<u>17,013,784</u>	<u>17,809,392</u>
NON-CURRENT LIABILITIES			
Post-employment defined benefit obligation	13.2	4,061,980	4,695,072
Total Non-current Liabilities		<u>4,061,980</u>	<u>4,695,072</u>
TOTAL LIABILITIES		<u>21,075,764</u>	<u>22,504,464</u>
FUND BALANCE		<u>292,299,139</u>	<u>288,350,292</u>
TOTAL LIABILITIES AND FUND BALANCE		<u>313,374,903</u>	<u>310,854,756</u>

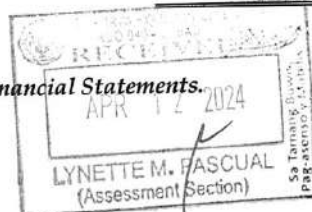
See Notes to Financial Statements.



PHILIPPINE CANINE CLUB, INC.
(A Non-stock, Non-profit Organization)
STATEMENTS OF SUPPORT, INCOME AND EXPENDITURES
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Amounts in Philippine Pesos)

	Notes	2023	2022
SUPPORT AND INCOME			
Support			
Registration fees		58,910,062	95,073,343
Membership fees		10,890,151	14,650,392
Dog show fees		12,678,775	10,876,671
Other income	11	16,248,954	14,735,260
		<u>98,727,942</u>	<u>135,335,666</u>
EXPENDITURES			
Dog show expenditures		5,306,185	3,936,261
13th Month Pay and Bonuses		2,215,739	1,802,400
Salaries and wages		9,050,128	9,510,723
SSS, Philhealth and HDMF Contributions		514,759	480,053
Employee benefits	13.1	2,517,180	3,833,625
Professional fees and outside services		8,424,681	8,934,460
Taxes and licenses	18 (f)	9,966,758	8,280,723
Marketing and Advertising expenses		-	12,430
Committee Expenses		12,537,631	5,569,687
Scholarship and donation		17,540	145,076
Repair and maintenance		1,276,948	808,116
Travel and Transportation expenses		7,625,778	7,032,763
Delivery expenses		1,081,422	1,045,313
Depreciation and Amortization expenses	8	7,972,898	5,208,008
Rental expenses		3,736,108	364,859
Communication, light and water		6,708,059	6,666,337
Office supplies		2,090,266	2,983,724
Association dues		556,575	499,857
Insurance expense		114,943	112,747
Meetings		702,373	3,684,419
Other expenses	12	9,612,280	6,374,727
		<u>92,028,250</u>	<u>77,286,309</u>
EXCESS OF SUPPORT AND INCOME OVER EXPENDITURES BEFORE TAX		6,699,692	58,049,357
TAX EXPENSE	14	2,610,267	14,597,812
EXCESS OF SUPPORT AND INCOME OVER EXPENDITURES		<u>4,089,425</u>	<u>43,451,545</u>

See Notes to Financial Statements.



PHILIPPINE CANINE CLUB, INC.
(A Non-stock, Non-profit Organization)
STATEMENTS OF CHANGES IN FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Amounts in Philippine Pesos)

	<u>2023</u>	<u>2022</u>
BALANCE, JANUARY 01, 2023	288,350,292	244,892,969
Adjustment from prior year resulting understated (overstated) in net income	(140,578)	5,778
Adjusted beginning balance	288,209,714	244,898,747
Excess of support and income over expenditures	<u>4,089,425</u>	<u>43,451,545</u>
BALANCE, DECEMBER 31, 2023	<u>292,299,139</u>	<u>288,350,292</u>

See Notes to Financial Statements.

PHILIPPINE CANINE CLUB, INC.
(A Non-stock, Non-profit Organization)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(Amounts in Philippine Pesos)

	<u>Notes</u>	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess of support and income over expenditures before tax		6,699,692	58,049,357
Adjustments for:			
Depreciation and amortization	8	7,972,898	5,208,008
Interest Income		(5,790,633)	(2,425,203)
Excess of support and income over expenditures before working capital changes		8,881,956	60,832,162
Decrease (increase) in advances and other receivables	(	1,599,472)	(896,259)
Decrease (increase) in prepayments and other assets	(	1,603,244)	(1,184,552)
Increase (decrease) in accrued expense and other payables		761,552	1,271,726
Increase (decrease) in unearned income		246,925	718,678
Increase in post-employment defined benefit obligation	(	633,092)	(128,559)
Cash generated from operations		6,054,625	60,613,197
Taxes Paid	(	4,414,353)	(15,748,935)
Adjustment from prior year resulting overstated in net income	(	140,578)	5,778
Net Cash From Operating Activities		1,499,695	44,870,041
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		5,790,633	2,425,203
Acquisitions of property and equipment	8	(131,611,297)	(3,790,132)
Decrease in Investment in Bonds		-	8,450,000
Increase in other non assets		108,555	(146,730)
Net Cash Used in Investing Activities	(	125,712,109)	6,938,342
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(	124,212,414)	51,808,383
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		219,369,218	167,560,835
CASH AND CASH EQUIVALENTS AT END OF YEAR		95,156,803	219,369,218

See Notes to Financial Statements.

PHILIPPINE CANINE CLUB, INC.
(A Non-stock, Non-profit Organization)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

1. CORPORATE INFORMATION

1.1 Formation and Operation

The Philippine Canine Club, Inc. (the Club) was incorporated in the Philippines on March 21, 1963 to promote and encourage the love for dogs and to hold or arrange dog shows and competitions, and offer grants or contribute towards the provision of prizes, awards and distinctions. On April 30, 1985, the Securities and Exchange Commission approved the Club's application for extension of its life from 25 years to 50 years to be effective on March 21, 1988.

The Club's activities are funded principally through registration and membership fees from its members. Other funds are sourced through fees collected from dog shows and competitions and other incidental activities such as certification and advertising fees.

The Club's registered office, which is also its principal place of business, is located at Rm A 206 Hillcrest Cond., 1616 E. Rodriguez Sr. Ave., Cubao, Quezon City.

1.2 Approval of Financial Statements

The financial statements of the Club as of and for the year ended December 31, 2023 were authorized for issue by the Club's Board of Trustees (BOT) on April 03, 2024.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Financial Statements

- (a) Statement of Compliance with Philippine Financial Reporting Standard for Small and Medium-sized Entities*

The financial statements of the Club have been prepared in accordance with Philippine Financial Reporting Standard for Small and Medium-sized Entities (PFRS for SMEs). PFRS for SMEs is adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board (IASB).

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

The preparation of financial statements in accordance with PFRS for SMEs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Club's accounting policies. Areas involving a higher degree of judgment or complexity, or areas where assumptions and estimations are significant to the financial statements are disclosed in Note 3.

(b) Presentation of Statement of Support, Income and Expenditures and Statement of Changes in Fund Balance

The Club opted to present a separate statement of support, income and expenditures and a separate statement of changes in fund balance even when the changes to fund balance during the years presented arise only from support, income and expenditures.

(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.

2.2 Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits and other short-term highly-liquid investments held to meet short-term cash commitments rather than for investment or other purposes (i.e., with original maturities of three months or less from the date of acquisition).

2.3 Advances and Other Receivables

Advances and other receivables are recognized initially at the transaction price. These are subsequently measured at amortized cost using the effective interest method for maturities beyond one year, less accumulated allowance for impairment, if any. An allowance for impairment on advances and other receivables is established when there is objective evidence that the Club will not be able to collect all amounts due according to the original terms of the receivables. The related impairment loss is recognized immediately in the statement of support, income and expenditures.

Advances and other receivables are derecognized when the rights to receive cash flows expired or are transferred or when all substantial risks and rewards of ownership have been transferred to another party.

2.4 Prepayments and Other Assets

Prepayments and other 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.

Other recognized assets of similar nature, where future economic benefits are expected to flow to the Club beyond one year after the end of the reporting period (or in the normal operating cycle of the business, if longer), are classified as non-current assets.

2.5 Investment in Bonds

Investment in bonds is recognized initially at transaction price. Subsequent to initial recognition, investment in bonds is measured at amortized cost using the effective interest method, less impairment losses, if any.

The Club assesses at the end of each reporting period whether there is objective evidence of impairment for its investment in bonds carried at amortized cost. The amount of impairment loss is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. If, in a subsequent period, the amount of impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment loss was recognized, the impairment loss is reversed up to the extent of the previously recognized losses, either directly or by adjusting the allowance account. The amount of reversal is recognized in statement of support, income and expenditures immediately.

2.6 Property and Equipment

Items of property and equipment are measured at cost less accumulated depreciation, amortization and any accumulated impairment losses. 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 while expenditures for repairs and maintenance are charged to expense during the period in which they are incurred.

Except for land, which is not depreciated, depreciation and amortization on property and equipment is calculated using the straight-line method over their estimated useful lives. The useful lives of the depreciable assets are as follows:

<i>Building and building improvements</i>	<i>25 years</i>
<i>Condominium unit</i>	<i>25 years</i>
<i>Dog show and transportation equipment</i>	<i>3 to 5 years</i>
<i>Furniture, fixtures and office equipment</i>	<i>2 to 5 years</i>

Building improvements are amortized over the estimated useful lives of the improvements or the estimated useful lives of the related assets, whichever is shorter.

If there is an indication that there has been a significant change in the useful life or residual value of an asset, the depreciation or amortization of that asset is revised prospectively to reflect the new expectations.

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 (see Note 2.12).

Gains and losses on disposals of property and equipment are determined by comparing the proceeds with the carrying amount of the item and are recognized as part of Other Income or Expenses in the statement of support, income and expenditures.

2.7 Accrued Expenses and Other Payables

Accrued expenses and other payables are recognized initially at the transaction price and subsequently measured at amortized cost using the effective interest method for maturities beyond one year, less settlement payments.

These are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration.

2.8 Unearned Income

Unearned income includes registration and membership fees collected in advance but are yet to be earned by the Club. They are initially recognized at the amount received and subsequently recognized as income in the period when such income is earned (see Note 2.10).

2.9 Provisions and Contingencies

Provisions are recognized when the Club 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.

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

2.10 Support, Income and Expenditure Recognition

Support and income, excluding value-added tax (VAT), is recognized to the extent that it can be reliably measured; it is probable that the economic benefits will flow to the Club; and the costs incurred or to be incurred can be measured reliably. In addition, the following specific recognition criteria must also be met before revenue is recognized:

- (a) Registration fees – Revenue recognition commences upon completion of registration documents and collection of fees is expected to happen and is allocated over the applicable years (see Note 2.8).*
- (b) Membership fees – Revenue recognition commences when no significant uncertainty as to its collectability exists and is allocated over the applicable years (see Note 2.8).*
- (c) Dog show fees – Revenue is recognized upon actual receipt of fees.*
- (d) Interest income – Revenue is recognized as the interest accrues taking into account the effective yield on the asset.*
- (e) Rentals – Revenue is recognized on a straight-line basis over the term of the lease (see Note 2.11).*

Cost and expenses are recognized in the statement of support, income and expenditures upon receipt of the goods or utilization of services or at the date they are incurred.

2.11 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Club. All other leases are classified as operating leases.

Rentals payable or paid under operating leases are charged to income or expenditure on a straight-line basis over the term of the relevant lease.

2.12 Impairment of Assets

At the end of each reporting period, property and equipment and other non-financial assets are 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 the statement of support, income and expenditures.

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 support, income and expenditures.

2.13 Employee Benefits

The Club provides employee benefits as follows:

(a) 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 defined benefit post-employment plan covers all regular full-time employees. The pension plan is tax-qualified, non-contributory and administered by a trustee bank.

The liability recognized in the statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of a zero coupon government bonds (using the reference rates published by Philippine Dealing & Exchange Corp. (PDEX) in 2017 and prior years and Bloomberg thru its valuation technology, Bloomberg Valuation (BVAL) starting in 2018], 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. BVAL and PDEx provides evaluated prices that are based on market observations from contributed sources.

Actuarial gains and losses are charged or credited to income or expenditure in the year in which they arise.

Past service costs are recognized immediately in the statement of support, income and expenditures.

(b) Post-employment Defined Contribution Plan

A defined contribution plan is a post-employment plan under which the Club pays fixed contributions into an independent entity. 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.

(c) Bonus Plans

The Club recognizes a liability and an expense for bonuses based on a certain percentage of the employees' monthly salary. The Club recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

(d) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in the Accrued Expenses and Other Payables account in the statement of financial position at the undiscounted amount that the Club expects to pay as a result of the unused entitlement.

(e) 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 when it is demonstrably committed to either: (i) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or (ii) providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

2.14 Income Tax

Tax expense represents the sum of the current tax and deferred tax. The current tax is based on taxable profit for the year and measured using the tax rates and laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases (known as temporary differences). Deferred tax liabilities, with certain exceptions, are recognized for all temporary differences that are expected to increase taxable profit in the future. Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax is calculated at the tax rates that are expected to apply to the taxable profit (tax loss) of the periods in which the Club expects the deferred tax asset to be realized or the deferred tax liability to be settled, on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting period. 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 relate to the same entity and the same taxation authority.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in income or expenditure, except to the extent that it relates to items recognized in other comprehensive income or directly in fund balance. In this case, the tax is also recognized in other comprehensive income or directly in fund balance, respectively.

The Club establishes liabilities for probable and estimable assessments by the Bureau of Internal Revenue (BIR) resulting from any known tax exposures. Estimates represent a reasonable provision for taxes ultimately expected to be paid and may need to be adjusted over time as more information becomes available.

2.15 Fund Balance

Unrestricted fund balance represents all current and prior period results as reported in the statements of support, income and expenditures.

Restricted fund balance pertains to amount transferred from unrestricted fund which is generally not available for use.

2.16 Related Party Transactions and Relationship

Related party transactions are transfers of resources, services or obligations between the Club 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: (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; (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; and, (d) the Club's funded retirement plan.

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

2.17 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 for SMEs 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.

3.1 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 have the most significant effect on the amounts recognized in the financial statements:

(a) Distinction Between Operating and Finance Leases

The Club has entered into various operating lease agreements as a lessee. 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 agreement. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

As of December 31, 2023, management has assessed that all lease agreements entered into by the Club are operating leases.

(b) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provisions and contingencies are discussed in Note 2.9 and relevant disclosures are presented in Note 17.

3.2 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 a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) Impairment of Advances and Other Receivables

Adequate amount of allowance is provided for specific and groups of accounts, where objective evidence of impairment exists. The Club evaluates the amount of allowance for impairment based on available facts and circumstances affecting the collectability of the accounts, including, but not limited to, the length of the Club's relationship with the employees, contractors and advertisers, and the latter's current credit status, collection experience and historical loss experience.

The carrying value of Advances and Other Receivables and the analysis of allowance for impairment on such financial assets are shown in Note 5.

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

Based on management's assessment as at December 31, 2023, there is no change in estimated useful lives of property and equipment during the year. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(c) Impairment of Non-financial Assets

The Club's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.12. 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.

No impairment losses were recognized on the Club's non-financial assets in 2023.

(d) Valuation of Post-employment Defined Benefit Obligation

In determining the post-employment obligation, management makes an estimate of salary increases, determines the appropriate discount rate to use in the present value calculation, and the number of employees expected to leave before they receive the benefits (see Note 13.2). Management believes that the assumptions used by its independent actuary and the estimated post-employment defined benefit obligation using those assumptions are reasonable.

4. CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents are as follows:

	2023	2022
Cash on hand	P 145,500	P 145,500
Cash in banks	56,939,486	34,666,984
Short-term placements	38,071,817	184,556,734
	<u>P 95,156,803</u>	<u>P 219,369,218</u>

Cash in banks generally earn interest based on daily bank deposit rates. Interest earned is presented as part of Interest income under the Other Income section of the statements of support, income and expenditures (see Note 11).

Short-term placements are made for varying periods of between 30 to 90 days depending on the immediate cash requirement of the Club and earn effective annual interest ranging from 0.6% to 6.5%.

5. ADVANCES AND OTHER RECEIVABLES

This account is composed of the following:

	2023	2022
Receivables from a former officer	P 5,130,000	P 5,130,000
Advances to officers and employees	1,671,752	1,856,752
Advances to suppliers and contractors	345,876	345,876
Receivables from SSS	162,820	162,820
Others	3,334,373	1,549,901
	P 10,644,821	P 9,045,349
Allowance for impairment	(5,625,540)	(5,625,540)
	P 5,019,280	P 3,419,808

Receivable from a former officer pertains to a claim against the resigned officer for the unauthorized use of the Club's funds in 2008. The receivable was already provided with full allowance for impairment in 2009 as management had assessed that the said receivable may less likely be collected. As of December 31, 2023, the management, together with its legal counsel, is still uncertain about the possible outcome of the case [see Note 16(a)].

The advances to officers and employees represent cash advances and non-interest-bearing loans payable through salary deduction, mostly within six to 12 months from the grant date.

Others comprise of advances made by the Club to various hotels and suppliers for the benefit of the dog exhibitors who will participate in the Club's dog shows.

All of the Club's advances and other receivables have been reviewed for indications of impairment. No additional impairment loss was recognized on the Club's advances and other receivables in 2023.

Due to their short duration, management considers the carrying amounts of these advances and receivables to be a reasonable approximation of their fair values.

6. PREPAYMENTS AND OTHER ASSETS

The composition of this account is shown below.

	2023	2022
Current:		
Microchip Inventory	P 3,215,341	P 2,082,189
Coffee Table Book Inventory	2,730,435	2,949,196
Pet ID Microchips Inventory	37,162	37,162
Prepaid Expense	511,416	280,200
Others	739,934	282,297
	P 7,234,288	P 5,631,044

Non-current:

Utility deposits	<u>P 282,833</u>	<u>P 282,833</u>
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The utility deposits are not expected to be refunded within the next 12 months after the end of the reporting period, hence, presented and classified as non-current.

7. INVESTMENT IN BONDS

Investment in bonds pertains to debt securities purchased by the Club from local banks. These investments earn interest ranging from 4.75% and 5.26% per annum, payable semi-annually until the maturity of such investments starting in February 2022 to May 2027, and presented as Investment in Bonds in the statements of financial position.

The movement in the Investment in Bonds account are shown below.

	2023	2022
Balance at the beginning of the year	P 6,450,000	P 14,900,000
Additions	-	-
Maturity	-	(8,450,000)
	<u>P 6,450,000</u>	<u>P 6,450,000</u>

Interest income recognized on these investments amounted to Php225,365 in 2023, and is shown as part of Interest income under the Other Income in the statements of support, income and expenditures (see Note 11).

8. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment as of December 31, 2023 are summarized below.

PARTICULARS	LAND	Building and Building Improvement	Condominium Unit	Furniture, Fixtures and Office Equipment	Dog Show and Transportation Equipment	Total
Cost						
Balance at January 01, 2023	40,537,000	57,668,646	2,660,866	19,997,346	14,021,468	134,885,327
Purchases/Improvement	119,826,907	10,433,093	-	1,156,897	194,400	131,611,297
Adjustments from prior year						-
Balance at December 31, 2023	<u>160,363,907</u>	<u>68,101,739</u>	<u>2,660,866</u>	<u>21,154,244</u>	<u>14,215,868</u>	<u>266,496,624</u>
Accumulated depreciation						
Balance at January 1, 2023	-	36,952,258	1,882,921	17,465,946	7,208,710	63,509,836
Depreciation and amortization for the year		4,195,201	88,486	1,682,346	2,006,864	7,972,898
Adjustments from prior year						-
Balance at December 31, 2023	<u>-</u>	<u>41,147,459</u>	<u>1,971,407</u>	<u>19,148,292</u>	<u>9,215,575</u>	<u>71,482,733</u>
Net Carrying Amount at December 31, 2023	<u>160,363,907</u>	<u>26,954,280</u>	<u>689,459</u>	<u>2,005,951</u>	<u>5,000,293</u>	<u>195,013,891</u>

9. ACCRUED EXPENSES AND OTHER PAYABLES

This account consists of the following as of December 31:

	2023	2022
Trade payables	P 3,718,860	P 4,757,833
Accrued expenses	-	393,265
Advances from Federation Cynologique International Pacific	6,119,430	5,380,305
Others	3,002,650	1,547,985
	<u>P 12,840,939</u>	<u>P 12,079,387</u>

Accrued expenses mainly pertain to unpaid professional fees, printing expenses of the Club's magazine and mailing of registration documents to the members. Others are mainly composed of social security and other premium payables and withholding taxes and value-added taxes payables.

Due to its short duration, management considers the carrying amounts of its accrued expenses and other payables to be a reasonable approximation of their fair values.

10. UNEARNED INCOME

This account refers to portion of registration and membership fees collected in advance but are yet to be earned by the Club and recognized as income in subsequent periods. The breakdown of unearned income as at December 31, 2023 is presented below.

	2023	2022
Current	P 4,172,845	P 3,925,920
Non-current	-	-
	<u>P 4,172,845</u>	<u>P 3,925,920</u>

11. OTHER INCOME

The breakdown of this account follows:

	2023	2022
Interest Income	P 5,790,632	P 2,425,202
Sale of Microchips	3,299,828	5,005,457
Sale of Coffee Table Book	260,000	12,000
Delivery charges	2,876,060	4,276,965
Rental Income	235,503	162,054
Advertisements	975,089	77,232
Others	1,826,947	2,114,797
Export processing	141,899	159,000
Foreign exchange gain	842,995	502,554
	<u>P 16,248,954</u>	<u>P 14,735,260</u>

Interest income represents income earned from bank deposits, short-term placements and investment in bonds.

Delivery charges pertain to fees charged to members for the delivery of ownership and registration documents.

Others represent income from catalog sales, non-recurring foreign dog shows and various income not generated from the Club's normal operations.

12. OTHER EXPENSES

Other expenses are expenses incurred in administering the Club's related programs which are as follows:

	2023	2022
Cost of microchips sold	P 1,448,991	P 2,088,581
Cost of coffee table book sold	174,118	86,518
Representation and entertainment	291,666	107,875
Bank charges	326,339	369,641
Miscellaneous	4,736,468	1,325,744
Expenses for FCI Kennel Name Application	2,634,698	2,396,367
	<u>P 9,612,280</u>	<u>P 6,374,727</u>

Miscellaneous include publication fees, brokerage, processing and storage fees and other related expenses.

13. EMPLOYEE BENEFITS

13.1 Employee Benefits Expense

The breakdown of employee benefits expense for the years ended December 31, 2023 follows:

	2023	2022
Post-employment benefit expense (income)	P 566,908	P 771,441
Short-term health benefits	460,943	485,092
Other employee benefits	1,489,329	2,577,093
	<u>P 2,517,180</u>	<u>P 3,833,625</u>

Other employee benefits include training & development program, mandatory fringe benefits and other expenses being provided by the Club for the employees.

13.2 Post-employment Defined Benefit

The Club maintains a tax qualified, fully-funded and noncontributory retirement plan that is being administered by a trustee bank covering all regular full-time employees. The actuarial valuation report is dated January 29, 2024 which was made for the year ended December 31, 2023.

The amounts of post-employment defined benefit obligation recognized in the statements of financial position are determined as follows:

	2023	2022
Present value of the obligation	P 8,733,067	P 8,110,134
Fair value of the plan assets	(4,671,087)	(3,415,062)
	<u>P 4,061,980</u>	<u>P 4,695,072</u>

The movements in the present value of the post-employment defined benefit obligation recognized in the books presented below.

	2023	2022
Balance at beginning of year	P 8,110,134	P 10,036,484
Current service cost	585,552	883,997
Interest cost	751,463	508,850
Benefits paid	-	(2,547,256)
Actuarial losses (gains) for the year	(714,082)	(771,941)
	<u>P 8,733,067</u>	<u>P 8,110,134</u>

The reconciliation of the balance at the beginning and end of the year of the fair value of plan assets is shown below.

	2023	2022
Balance at beginning of year	P 3,415,062	P 5,212,853
Expected return on plan assets	102,452	156,386
Contribution paid	1,200,000	900,000
Benefits paid	-	(2,547,256)
Actuarial losses (gains) for the year	(46,427)	(306,921)
	<u>P 4,671,087</u>	<u>P 3,415,062</u>

The Club's plan asset is mainly composed of investments in merit fund.

The post-employment defined benefit income recognized in the statements of support, income and expenditures are as follows:

	2023	2022
Current Service Cost	P 751,463	P 883,997
Interest Cost	585,552	508,850
Expected return on plan assets	(102,452)	(156,386)
Actuarial losses (gains) for the year	(667,655)	(465,020)
	<u>P 566,908</u>	<u>P 771,441</u>

Post-employment defined benefit income is presented as part of Employee Benefits in the statements of support, income and expenditures.

The principal actuarial assumptions used were as follows:

	2023	2022
Discount rates	6.10%	7.22%
Expected rate of return on plan assets	3.00%	3.00%
Expected rate of salary increases	10.00%	10.00%

Assumptions regarding future mortality are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 19 years for both males and females.

The expected long-term rate of return on plan assets is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

14. TAXES

The components of tax expense reported in the statements of support, income and expenditures are as follows:

	2023	2022
Current tax expense:		
Regular corporate income tax (RCIT) at 25% (RR No. 5-2021)	P 421,021	P 14,259,501
Final tax at 20%	1,158,127	485,041
	<u>P 1,579,148</u>	<u>P 14,744,542</u>
Deferred tax (income)/expense relating to origination of temporary differences	108,555	(146,730)
	<u>P 1,687,703</u>	<u>P 14,597,812</u>

The reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in the statements of support, income and expenditures is presented below.

	2023	2022
Tax on profit at 25%	P 1,674,923	P 14,512,339
Adjustment for interest income subjected to final tax	(289,532)	(121,260)
Non-deductible expenses	513,060	332,371
Non-taxable (income) expense	(210,749)	(125,638)
Tax Expense	P 1,687,703	P 14,597,812

The Club, as a non-stock, non-profit organization, organized and operated exclusively for the protection of registry of purebred dogs and adoption and enforcement of uniform rules regulating and governing purebred dogs registration and events is exempt from income tax pursuant to Section 30 of the Tax Reform Act of 1997 [Republic Act (RA) No. 8424]. However, on August 3, 2012, the BIR issued Revenue Memorandum Circular (RMC) No. 35, which clarified that income from recreational clubs from whatever source including, but not limited to, membership fees are no longer exempt and will be subjected to income tax and VAT immediately. Also, subsequently in 2013, the BIR revoked the Club's tax exempt status. Accordingly, all income generated from operations whether ordinary or incidental to the conduct of the Club's business was subjected to income tax.

The deferred tax assets relate to the following as of December 31:

	Statements of Financial Position		Statements of Support, Income and Expenditures	
	2023	2022	2023	2022
Impairment of Receivable	P 1,687,662	P 1,687,662	P -	P -
Deferred Revenues	1,270,367	1,208,636	61,731	179,670
Post-employment defined benefit obligation	1,272,591	1,430,864	(158,273)	(32,140)
Unamortized past service cost	(12,814)	(800)	(12,014)	(800)
Deferred Tax Assets	P 4,217,806	P 4,326,362	P 108,555	P 146,730
Deferred Tax Income (Expense) - Net				

The Club is subject to the minimum corporate income tax (MCIT), which is computed at 1.5% of gross income, as defined under the tax regulations or the RCIT of 25% on taxable income, whichever is higher. No RCIT was reported in 2023 as the MCIT was higher than RCIT.

		<u>2023</u>
Gross Revenues		
Registration fees	P 58,910,061.70	
Membership fees	10,890,151.38	
Dog show fees	12,678,774.91	
Other income	<u>16,002,029</u>	P 98,481,017
Recon: Unearned income		246,925
Other Income - vat exempt		(182,760)
Other Income - Foreign exchange gain		(842,995)
Interest income subject to final tax		(5,790,632)
Cost of Sales		
DogShow Expenditures	5,306,185	
FCI Kennel Name Application	2,634,698	
Depreciation of Showsite	4,015,119	
Cost of goods Sold	<u>1,623,109</u>	(13,579,111)
 Tax Base		P 78,332,444
MCIT Rate		1.5%
MCIT		P 1,174,987
 Regular corporate income tax (RCIT) at 25% (RR No. 5-2021)		<u>421,021</u>
 MCIT @ 2%	P	1,174,987
Final Tax at 20%		1,326,726
Deferred tax (income)/expense relating to origination of temporary differences		108,555
TAX EXPENSE	P	2,610,267

In 2023, the Club claimed itemized deductions for the computation of its income tax due.

15. RELATED PARTY TRANSACTIONS

The total remuneration of the key management personnel amounted to Php2.5 million in 2023.

16. COMMITMENT AND CONTINGENCIES

There are commitments and contingencies that arise in the normal course of the Club's operations which are not reflected in the financial statements. These include, but are not limited, to the following legal cases:

- (a) The Club, as the plaintiff, has an ongoing legal and settlement case filed against the Club's former officer involving the latter's misappropriation of the Club's funds.

On April 18, 2017, the Regional Trial Court found the former officer guilty beyond reasonable doubt for the crime of estafa thru falsification of commercial document, and was sentenced to imprisonment. The former officer was also adjudged civilly liable to the Club.

In 2018, the Court of Appeals has affirmed the former officer's conviction. He is sentenced to four years and two months to eight years of prison correctional, he is further sentenced to return the amount of P5.1 million which reduced the recorded receivable from the previous year (see Note 5). On December 05, 2018, the former officer filed his Motion for reconsideration of the Court of Appeal's decision.

On April 03, 2019, the Court of Appeals Resolution, denied the Motion for Reconsideration filed by the former officer for lack of merit. However, on April 30, 2019, the former officer filed a Motion for Extension of Time to File Appeal by Certiorari before the Supreme Court. And the Club filed an Entry of Appearance on July 09, 2020. As of December 31, 2020, no appeal has been filed by the former officer, the Club's management is still awaiting an Entry of Judgment from the Court. As of December 31, 2023, the case is still pending.

- (b) The Club is also a defendant in a case filed by Favila, Jr., et.al seeking annulment of the board resolutions of the Club concerning their respective sanctions and penalties. On September 2015, the court ruled in favor of the plaintiffs and awarded them attorney's fees. However, the Club promptly assailed this decision and filed Motion for Reconsideration to the Court of Appeals. On June 14, 2017, the Court of Appeals issued a resolution affirming the September 2015 decision. Accordingly, the Club raised the case on appeal to the Supreme Court through a Petition for Review on Certiorari in which Supreme Court issued a resolution requiring the respondents to file their respective comments within 10 days of notice. On December 31, 2019, the case is submitted for decision before the Court of Appeals. As of December 31, 2020, the Club's management is awaiting the resolution. On September 14, 2021, the Club's management received an Order from the Supreme Court and Entry of Judgment dated June 28, 2021 in which the decision now to be recorded at the book of entries of judgment. No Motion for Issuance of Writ of Execution was filed by Favilla, et.al. As of December 31, 2023, the case is still pending.*
- (c) The Club filed a complaint for damages against Metropolitan Bank and Trust Company (the Bank) claiming that the Bank was negligent in clearing the checks of the Club, which were fraudulently altered by its officer. In 2018, the Club filed their Memorandum on case. Thus, the complaint is now submitted for resolution by the Regional Trial Court. On June 27, 2019, the Club received an adverse decision denying their claims against the Bank. Thus, the Club filed a Motion for Reconsideration on July 12, 2019 but was still denied on October 23, 2019. On November 6, 2019, the Club filed a Notice of Appeal before the Court of Appeals. As of December 31, 2023, the Court of Appeals resolution is still pending.*

(d) *The Advance Systems Link, Inc. (ASLI) filed a case against the Club. The legal counsel of the Club reported to the Board that on the scheduled hearing, October 28, 2021, both parties expressed their intent to enter in a settlement agreement in order to terminate the proceedings and not to litigate anymore. On November 22, 2021, the President of Advance Systems Link, Inc. (ASLI), together with his lawyer, met the legal counsel of the Club in order to sign the Compromise Agreement, Release Waiver & Quitclaim, and the Joint Motion to Dismiss and Approval of the Compromise Agreement. The Club submitted the signed and notarized document to the Court for its approval.*

17. EVENT AFTER REPORTING PERIOD

In December 2019, a novel strain of corona virus (COVID-19) was reported to have surfaced in China. The World Health Organization has declared the outbreak as a “public health emergency of international concern.” COVID-19 started to become widespread in the Philippines in early March 2020 causing the government to declare the country in a state of public health emergency followed by implementation of enhanced community quarantine and social distancing measures and restrictions within the Luzon area with other cities and provinces in the country enacting similar measures thereafter. This resulted in the wide-ranging business suspension – disrupting the supply, chains, affecting production and sales across a range of industries, and weakening the stock market.

The Club has determined that these events are non-adjusting subsequent events. Accordingly, such events had no impact on the Club’s financial statements as of and for the year ended December 31, 2023 and 2022.

The Club has been significantly exposed to the risks brought about by the outbreak of COVID-19, which the Club’s management has determined such circumstance to adversely affect the health, safety, and productivity of its employees, and impede other operational aspects of the Club. Relative to this, the Club has implemented strict protocols, work-from-home arrangement with its employees as mandated by the Philippine Government and activated its business continuity procedures, to mitigate the risks involved and alleviate the impact of COVID-19 to the Club’s financial condition and performance. However, as of the date of issuance of the Club’s financial statements, the financial impact of COVID-19 in the Club’s financial condition and operations, and ultimately in its financial statements, is not yet reliably determinable. Nonetheless, since the Club’s revenues comes from registration and membership income, the Club is still able to continue its operations as its activities can be done online.

In July 21, 2023, the President of the Philippines issued Proclamation No. 297 Lifting of the State of Public Health Emergency throughout the Philippines due to Covid-19. Whereas, as a result of continued immunization, decrease in the number of Covid-19 cases and measures such as reopening of international borders and relaxation of health and safety protocol requirements were instituted by the government, as well as by the other countries.

As of December 31, 2023, and the succeeding year, the Club continues to operate in their offices. The Club runs in their usual office hours.

18. SUPPLEMENTARY INFORMATION REQUIRED BY THE BIR

Following is the supplementary information on taxes, duties and license fees paid or accrued during the taxable year 2023 which is required by the BIR under Revenue Regulation No. 15-2010 to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS for SMEs.

(a) Output VAT

In 2023, the Club declared output VAT as follows:

	Tax Base	Output VAT Declared
Taxable support and income	P 91,911,554	P 11,029,386
Exempt support and income	182,760	-
	<u>P 92,094,314</u>	<u>P 11,029,386</u>

The Club's VAT exempt services pertained to services rendered to senior citizens, which were determined pursuant to RR 7-2010, Implementing the Tax Privileges Provisions of Republic Act 9994, Otherwise known as the "Expanded Senior Citizens Act of 2010," and prescribing the guidelines for the availment thereof.

The tax bases for the sale of services and other operating income are based on gross receipts, hence, may not be the same with the amount reflected in the 2023 statement of support, income and expenditures.

(b) Input VAT

The movements in input VAT are summarized below.

	2023	2022
Balance at the beginning of the year	P 274,297	P 357,590
Services lodged under other accounts	2,587,153	2,854,121
Capital goods not subject to amortization	776,648	70,175
Capital goods lodged under other accounts	128,649	321,379
Applied against output VAT	(3,034,813)	(3,328,968)
Balance at the end of the year	<u>P 731,934</u>	<u>P 274,297</u>

(c) Taxes on Importation

No customs duties and tariff fees were paid nor accrued in 2023 since the Club has no importations during the year.

(d) Excise Tax

The Club did not have any transactions in 2023 which are subject to excise tax.

(e) Documentary Stamp Tax

The Club incur documentary stamp tax (DST) worth of P3.4 million in 2023 for its certificates of registration evidencing the acceptance, assignment, sale or transfer of an obligation, and any right or property hereunto during the year.

(f) Taxes and Licenses

Details of taxes and licenses presented in the 2023 statement of support, income and expenditures are as follows:

	2023	2022
Municipal licenses and permits	P 2,924,776	P 3,003,732
Real Property Tax	626,490	626,490
Documentary stamp tax	3,448,900	4,650,000
Miscellaneous	914,350	500
	<u>P 7,914,517</u>	<u>P 8,280,723</u>
 BIR Deficiency Taxes - 2021 & 2020	 <u>P 2,052,241</u>	 <u>P -</u>

(g) Withholding Taxes

The details of total withholding taxes for the year ended December 31, 2023 are as follows:

	2023	2022
Expanded	P 388,666	P 1,150,178
Compensation and other employee benefits	487,811	682,386
	<u>P 876,477</u>	<u>P 1,832,564</u>

The Club has no transactions subject to final withholding taxes.

(h) Deficiency Tax Assessment and Tax Cases

On November 10, 2023, the Club's management received a Letter of Authority from the BIR to examine the books of accounts and other accounting records for the year 2022. As of December 31, 2023, the Club's management submitted the required accounting records to the BIR.

(i) Submission of BIR Form No. 1709 required by the Bureau of Internal Revenue (BIR) as per Revenue Regulation No. 34-2020

As of December 31, 2023, the Club is not required to prepare and submit BIR Form 1709, Transfer Pricing Documentation (TPD) and other supporting documents because the Club is not covered by Section 2 for related party transactions provided under this Revenue Regulation No. 34-2020.