HERITAGE PARK PROJECT –
PERPETUAL CARE FUND TRUST

FINANCIAL STATEMENTS
December 31, 2019 and 2018

and

Report of Independent Auditors

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **HERITAGE PARK PROJECT – PERPETUAL CARE FUND TRUST** is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2019 and 2018 including the additional components attached therein in accordance with the Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The **Management** is responsible for overseeing the Trust Fund's financial reporting process.

The **Management** reviews and approves the financial statements and submits the same to the members of the Organization.

PEREZ, SESE, VILLA & CO., the independent auditor appointed by the Management for the years ended December 31, 2019 and 2018, has examined the financial statements of the Trust Fund in accordance the Philippine Standards on Auditing, and in its report to the Management, has expressed its opinion on the fairness of presentation upon completion of such examination.

JOSEPHINE E. JOLEJOLE	**JAYCEE B. RIVERA**
Representative of the Trustee	Representative of the Trustee

Signed this 11th day June 2020.

SUBSCRIBED AND SWORN to before me, a Notary Public for and in the _____________Philippines, this ___________, affiants who are personally known to me and whose identity I have confirmed through their competent evidence of identity bearing the affiants photograph and signature.

NAMES	COMPETENT EVIDENCE OF IDENTITY	DATE AND PLACE ISSUED

BUREAU OF INTERNAL REVENUE
REVENUE REGION NO. [illegible]
Revenue District Office [illegible]
JUN 29 2020

PEREZ, SESE, VILLA & Co.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Management
HERITAGE PARK PROJECT –
PERPETUAL CARE FUND TRUST
Corporate Bldg., Bayani Road,
Fort Bonifacio, Taguig City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **HERITAGE PARK PROJECT – PERPETUAL CARE FUND TRUST** (the Trust Fund), which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust Fund as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Trust Fund in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our 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 the financial statements in accordance with PFRSs, 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.

admin@psv-co.com
www.psvco.com

(02) 8994-3984
(02) 8554-9073

9th Flr Unit C Marc 2000 Tower
1973 Taft Ave. cor. San Andres St.
Malate Manila, 1004

In preparing the financial statements, management is responsible for assessing the Trust Fund's ability to continue as 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 Trust or cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 these 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 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 Trust'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 Trust Fund'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 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 Trust Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2019 required by the Bureau of Internal Revenue as disclosed in Note 24 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PEREZ, SESE, VILLA & CO.

BY: **MA. ALMA C. SESE**
PARTNER

CPA Reg. No. 0054588
TIN 212-955-173-000
PTR No. 9126078, January 8, 2020, Manila City
SEC Group B Accreditation
Partner – 1606-AR-1, valid until December 16, 2022
Firm – 0336-FR-1, valid until December 16, 2022
BIR AN – 06-002735-001-2017, valid until January 04, 2021
IC Accreditation
Firm – F 2017/008-R, valid until August 29, 2020
Partner – SP2017/009, valid until August 29, 2020
FIRM's BOA/PRC Cert. of Reg. No. 0222, valid until August 20, 2020

Manila, Philippines
June 11, 2020

BUREAU OF INTERNAL REVENUE
REVENUE REGION NO. 8B - SOUTH NCR
Revenue District Office No 44
Taguig/Pateros
RECEIVED
JUN 29 2020

HERITAGE PARK PROJECT - PERPETUAL CARE FUND TRUST
STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018

	Notes	2019	2018
ASSETS			
Current Assets			
Cash and cash equivalents	4,5,6	₱ 179,101,990	₱ 183,249,960
Receivables	4,5,7	32,712,560	40,081,723
Inventory - securities	4,8	249,072,815	259,664,134
Prepayments and other current assets	4,9	51,774,868	50,293,622
Total Current Assets		512,662,233	533,289,439
Non-Current Assets			
Financial asset through FVOCI	4,5,10	162,161,405	157,844,674
Property and equipment, net	4,5,11	25,186,704	16,401,875
Other non-current asset	4.5,12	2,600,000	-
Total Non-Current Assets		189,948,109	174,246,549
TOTAL ASSETS		₱ 702,610,342	₱ 707,535,988
LIABILITIES AND EQUITY			
Current Liabilities			
Payables	4,5,13	₱ 114,466,321	₱ 102,342,929
Unearned revenues-current	4,14	10,791,479	10,318,546
Total Current Liabilities		125,257,800	112,661,475
Non-Current Liabilities			
Unearned revenues-non current	4,14	12,897,621	23,688,938
Security deposit	4,19	10,094,326	10,094,326
Total Non-Current Liabilities		22,991,947	33,783,264
Equity			
Funds and contributions	4, 15	821,788,063	827,190,222
Other comprehensive income	4,18	55,993,759	49,280,811
Deficit	4	(323,421,227)	(315,379,784)
Net Equity		554,360,595	561,091,249
TOTAL LIABILITIES AND EQUITY		₱ 702,610,342	₱ 707,535,988

(See accompanying Notes to Financial Statements)

HERITAGE PARK PROJECT - PERPETUAL CARE FUND TRUST

STATEMENTS OF COMPREHENSIVE INCOME

For The Years Ended December 31, 2019 and 2018

	Notes	2019	2018
REVENUES	4,16		
Interest income on investments,loan and deposits		₱ **18,755,304**	₱ 18,600,362
Other income		**36,224,616**	43,316,084
TOTAL REVENUE		**54,979,920**	61,916,446
EXPENSES	4,17	**56,889,767**	51,617,523
NET INCOME FOR THE YEAR		**(1,909,847)**	10,298,923
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit and loss			
Fair value gain (loss) on financial assets through FVOCI		**6,712,948**	(15,316,811)
TOTAL COMPREHENSIVE INCOME (LOSS)		₱ **4,803,101**	₱ (5,017,888)

(See accompanying Notes to Financial Statements)

BUREAU OF INTERNAL REVENUE
REVENUE REGION NO. 8B - SOUTH NCR
Revenue District Office No 44
Taguig/Pateros
RECEIVED
INITIAL ___ DATE ___
RCO # & NAME SARAH JANE L. QUINCE
JUN 2 9 2020

HERITAGE PARK PROJECT - PERPETUAL CARE FUND TRUST

STATEMENTS OF CHANGES IN EQUITY

For The Years Ended December 31, 2019 and 2018

	Notes	**2,019**	2,018
FUNDS AND CONTRIBUTION	*4, 15*		
Balance at beginning of year		**₱ 827,190,222**	₱ 826,433,508
Prior period adjustment	*3,20*	**(7,068,996)**	-
Additional contributions		**1,666,837**	756,714
Balance at end of year		**821,788,063**	827,190,222
DEFICIT			
Balance at beginning of year	*4*	**(315,379,784)**	(325,678,707)
Prior period adjustment	*3,20*	**(6,131,596)**	-
Net income		**(1,909,847)**	10,298,923
Balance at end of year		**(323,421,227)**	(315,379,784)
OTHER COMPREHENSIVE INCOME (LOSS)	*4,18*		
Balance at beginning of year		**49,280,811**	64,597,622
Unrealized gain (loss) for the year		**6,712,948**	(15,316,811)
Balance at end of year		**55,993,759**	49,280,811
TOTAL EQUITY		**₱ 554,360,595**	₱ 561,091,249

(See accompanying Notes to Financial Statements)

HERITAGE PARK PROJECT - PERPETUAL CARE FUND TRUST

STATEMENTS OF CASH FLOWS

For The Years Ended December 31, 2019 and 2018

	Notes	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income		₱ (1,909,847)	₱ 2,695,190
Adjustment to reconcile net income to net cash provided by operating activities:			
Prior period adjustment	3,20	(13,200,592)	-
Depreciation and amortization	4,5,11	2,842,098	2,920,542
Operating income before changes in working capital		(12,268,341)	5,615,732
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	4,5,7	7,369,163	(932,645)
Inventory - securities	4,8	10,591,319	
Prepayments and other current assets	4,9	(1,481,246)	(270,659)
Loan receivables	4	-	24,285,714
Increase (decrease) in:			
Payables	4,5,13	12,123,392	11,906,794
Unearned revenues	4,14	(10,318,384)	32,828,240
Net cash provided by operating activities:		6,015,903	73,433,176
CASH FLOWS FROM INVESTING ACTIVITIES			
Changes in fair value of FVOCI investments	4,5,10	2,396,217	(2,663,620)
Acquisition of property and equipment	4,5,11	(11,626,927)	(3,871,419)
Acquisition of other non-current asset	4.5,12	(2,600,000)	-
Net cash used in investing activities:		(11,830,710)	(6,535,039)
CASH FLOWS FROM FINANCING ACTIVITIES			
Additional contributions	4, 15	1,666,837	756,714
Net cash used in investing activities:		1,666,837	756,714
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(4,147,970)	67,654,851
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		183,249,960	115,595,109
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		₱ 179,101,990	₱ 183,249,960

(See accompanying Notes to Financial Statements)

NOTE 1 - GENERAL INFORMATION

Heritage Park Project – Perpetual Care Fund Trust is an irrevocable trust fund established on November 3, 1994 by virtue of the Perpetual Care Fund Trust Agreement (the PCFTA) entered into by and between the Bases Conversion Development Authority (the Trustor) and the Philippine National Bank (the Trustee). The PCFTA was entered into pursuant to the provisions of the Pool Formation Trust Agreement (PFTA) between the Bases Conversion Development Authority (BCDA) as the project owner, Public Estate Authority (PEA) as the project manager, and Philippine National Bank (PNB) as the trustee. The Pool Formation Trust Agreement defines the Perpetual Care Fund as "*a special fund to be established exclusively for the long term maintenance of the Heritage Park, its facilities and amenities.*"

As owner and developer of the Heritage Park Project located in Fort Bonifacio, Taguig, Metro Manila, BCDA issued and sold to the public Heritage Park Investment Certificates (the Certificates) evidencing the right of the holder to the perpetual use of the burial lots specified therein and to the ownership of the improvements and the enjoyment of the common amenities, facilities and services and to the perpetual care and maintenance of the Heritage Park. Funds in the amount of ₱300,525,000 from the proceeds of the underwritten portion of the first tranche offering of the Certificates and an additional amount of ₱56,382,852 from the proceeds of the reserved Certificates under the first tranche offering was set aside for the perpetual care and maintenance of the Heritage Park. These funds initially constituted the Perpetual Care Fund Trust. As provided in the PCFTA, at any time after the initial contribution to the PCF Trust, and as and when BCDA issues and sells the reserved Certificates under the first tranche offering or the second tranche offering of the Certificates or any new inventories or memorial products, additional funds equivalent to 12% of the gross selling prices of the Certificates or new products shall be delivered to the Trustee (PNB) which shall form part of the Perpetual Care Fund.

The financial statements of the Trust Fund for the year ended December 31, 2019 were authorized for issue by the Management on June 11, 2020.

NOTE 2 - FINANCIAL REPORTING FRAMEWORK AND BASIS OF PREPARATION AND PRESENTATION

Statement of Compliance

The financial statements of the Trust Fund have been prepared in accordance with Philippine Financial Reporting Standards (PFRS), which includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), Philippine Interpretations Committee (PIC) and Standing Interpretations Committee (SIC) as approved by the Financial Reporting Standards Council (FRSC) and Board of Accountancy (BOA) and adopted by the SEC.

Basis of Preparation

The financial statements of the Trust Fund have been prepared on the historical cost basis except for certain financial instruments carried at amortized cost and fair value.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Trust Fund takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and / or disclosure purposes in these financial statement is determined on such a basis, except for share-based payment transactions that are within the scope of PFRS 2, leasing transactions that are within the scope of PAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in PAS 2 or value in use in PAS 36.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety; which is described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Levell, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs the asset or liability.

Functional and Presentation Currency

The financial statements are presented in Philippine peso, which is the Trust Fund's functional currency. All financial information presented has been rounded off to the nearest peso, except when otherwise stated.

NOTE 3 - ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Trust Fund adopted effective for annual periods beginning on or after January 1, 2019.

Unless otherwise indicated, the adoption of the new and amended PFRS did not have any material effect on the financial statements. Additional disclosures have been included in the notes to financial statements, as applicable.

- Amendments to PFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation* – The amendments allow entities to measure particular prepayable financial assets with negative compensation at amortized cost or at fair value through other comprehensive income (instead of at fair value through profit or loss) if a specified condition is met. It also clarifies the requirements in PFRS 9, *Financial Instruments* for adjusting the amortized cost of a financial liability when a modification or exchange does not result in its derecognition (as opposed to adjusting the effective interest rate).

- Amendments to PAS 28, *Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures* – The amendments clarify that long-term interests in an associate or joint venture that, in substance, form part of the entity's net investment but to which the equity method is not applied, are accounted for using PFRS 9, *Financial Instruments*.

- Amendments to PAS 19, *Employee Benefits - Plan Amendment, Curtailment or Settlement* – The amendments specify how companies remeasure a defined benefit plan when a change - an amendment, curtailment or settlement - to a plan takes place during a reporting period. It requires entities to use the updated assumptions from this remeasurement to determine current service cost and net interest cost for the remainder of the reporting period after the change to the plan.

- Amendments to PFRS 3, *Business Combinations* and PFRS 11, *Joint Arrangements - Previously Held Interest in a Joint Operation* – The amendments are part of the Annual Improvements to PFRS 2015-2017 Cycle. The amendment to PFRS 3, *Business*

Combinations clarifies that when an entity obtains control of a business that is a joint operation, the acquirer applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the joint operation at its acquisition-date fair value. The amendment to PFRS 11, *Joint Arrangements* clarifies that when an entity obtains joint control of a business that is a joint operation, the previously held interests in that business are not remeasured.

- Amendments to PAS 12, *Income Taxes - Income Tax Consequences of Payments on Financial Instruments Classified as Equity* – The amendments are part of the Annual Improvements to PFRS 2015-2017 Cycle and clarify that income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distribution to owners and thus, should be recognized in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

- Amendments to PAS 23, *Borrowing Costs - Borrowing Costs Eligible for Capitalization* – The amendments are part of the Annual Improvements to PFRS 2015-2017 and clarify that in calculating the capitalization rate on general borrowings, if any specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally.

- Philippine Interpretation IFRIC 23, *Uncertainty Over Income Tax Treatments* – The interpretation provides guidance on how to reflect the effects of uncertainty in accounting for income taxes under PAS 12, *Income Taxes,* in particular (i) whether uncertain tax treatments should be considered separately, (ii) assumptions for taxation authorities' examinations, (iii) determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and (iv) effect of changes in facts and circumstances.

- PFRS 16, *Leases* – This standard will replace PAS 17, *Leases* and its related interpretations. The most significant change introduced by the new standard is that almost all leases will be brought onto lessees' statement of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance lease is retained.

  The Trust Fund has adopted PFRS 16 using the modified retrospective approach as allowed under the transitional provisions of the standard.

  The adoption of PFRS 16 is not expected to have any material effect on the financial statements of the Trust Fund as at January 1, 2019.

<u>New and Amended PFRS Issued But Not Yet Effective</u>

Relevant new and amended PFRS which are not yet effective for the year ended December 31, 2019 and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2020:

- Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material* (effective from January 1, 2020). The amendments provide a clearer definition of 'material' in PAS 1 by including the concept of 'obscuring' material information with immaterial information as part of the new definition, and clarifying the assessment threshold (i.e., misstatement of information is material if it could reasonably be expected to influence decisions made by primary users, which consider the characteristic of those users as well as the entity's own circumstances). The definition of material in PAS 8 has been accordingly replaced by reference to the new definition in PAS 1. In addition, amendment has also been made in other Standards that contain definition of material or refer to the term 'material' to ensure consistency.

Effective for annual periods beginning on or after January 1, 2021:

- PFRS 17, *Insurance Contracts* – This standard will replace PFRS 4, *Insurance Contracts.* It requires insurance liabilities to be measured at current fulfillment value and provides a more uniform measurement and presentation approach to achieve consistent, principle-based accounting for all insurance contracts. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued.

Deferred effectivity -

- Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* – The amendments address a current conflict between the two standards and clarify that a gain or loss should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

The adoption of the foregoing new and amended PFRS is not expected to have any material effect on the financial statements of the Trust Fund.

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Assets and Liabilities

Date of Recognition

The Trust Fund recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial Recognition and Measurement

Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

"Day 1" Difference

Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Trust Fund recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Trust Fund deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Trust Fund determines the appropriate method of recognizing the "Day 1" difference.

Classification

The Trust Fund classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at fair value through other comprehensive income (FVOCI). Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Trust Fund's business model and its contractual cash flow characteristics.

Financial Assets and Liabilities at FVPL

Financial assets and liabilities at FVPL are either classified as held for trading or designated at FVPL. A financial instrument is classified as held for trading if it meets either of the following conditions:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

This category includes equity instruments which the Trust Fund had not irrevocably elected to classify at FVOCI at initial recognition. This category includes debt instruments whose cash flows are not "solely for payment of principal and interest" assessed at initial recognition of the assets, or which are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

The Trust Fund may, at initial recognition, designate a financial asset or financial liability meeting the criteria to be classified at amortized cost or at FVOCI, as a financial asset or financial liability at FVPL, if doing so eliminates or significantly reduces accounting mismatch that would arise from measuring these assets or liabilities.

After initial recognition, financial assets at FVPL and held for trading financial liabilities are subsequently measured at fair value. Unrealized gains or losses arising from the fair valuation of financial assets at FVPL and held for trading financial liabilities are recognized in profit or loss.

For financial liabilities designated at FVPL under the fair value option, the amount of change in fair value that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch. Amounts presented in other comprehensive income are not subsequently transferred to profit or loss.

As at December 31, 2019 and 2018, the Trust Fund does not have financial assets and liabilities at FVPL.

Financial Assets at Amortized Cost

Financial assets shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2019 and 2018, the Trust Fund's cash and cash equivalents and receivables are classified under this category (see Notes 6, and 7).

Financial Assets at FVOCI

For debt instruments that meet the contractual cash flow characteristic and are not designated at FVPL under the fair value option, the financial assets shall be measured at FVOCI if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For equity instruments, the Trust Fund may irrevocably designate the financial asset to be measured at FVOCI in case the above conditions are not met.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment losses of debt instruments measured at FVOCI are recognized directly in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in OCI are reclassified from equity to profit or loss as a reclassification adjustment.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. Foreign currency gains or losses and unrealized gains or losses from equity instruments are recognized in OCI and presented in the equity section of the statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods.

As at December 31, 2019 and 2018, the Trust Fund's financial asset at FVOCI are classified under this category (see Note 10).

Financial Liabilities at Amortized Cost

Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Trust Fund having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

As at December 31, 2019 and 2018, the Trust Fund's payable to general fund and accrued expenses under payables are classified under this category (see Note 13).

Impairment of Financial Assets

The Trust Fund recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Trust Fund expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in three stages.

For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL).

For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). Those accounts with contract payments that are more than 30 days past due are assumed to have significant increase in credit risk.

For those accounts that show evidence of impairment, a lifetime ECL is recognized and interest income is computed based on the new carrying amount of the financial asset. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows such as changes in arrears or economic conditions that correlate with defaults. The Trust Fund considers a financial asset to be impaired when contractual payments are more than 90 days past due. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For trade receivables, the Trust Fund applies a simplified approach in calculating ECLs. For debt securities that are considered impaired, lifetime ECL is recognized and the effective interest rate is applied to the carrying value of the financial assets. The Trust Fund does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Trust Fund has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Derecognition of Financial Assets and Liabilities

Financial Assets

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

- the right to receive cash flows from the asset has expired;

- the Trust Fund retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Trust Fund has transferred its right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Trust Fund has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Trust Fund's continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Trust Fund could be required to repay.

Financial Liabilities

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

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Trust Fund could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in the statements of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

Offsetting of Financial Assets and Liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statements of financial position.

Classification of Financial Instrument between Liability and Equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;

- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Trust Fund; or

- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Trust Fund does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Other financial liabilities

Other financial liabilities (including borrowings) are subsequently measured at amortized cost using the effective interest method. Trade and other payables, loans payable and due to related parties are classified as other financial liabilities.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points 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 financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Inventories

Inventories which consists of investment certificates are initially measured at cost. Subsequently, inventories are stated at the lower of cost and net realizable value. The costs of inventories are calculated using the specific identification method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale.

When the net realizable value of the inventories is lower than the cost, the Trust Fund recognizes an impairment loss for the decline in the value of the inventory. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized in profit or loss in the period in which the reversal occurs.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

Prepayments and Other Current Assets

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to profit or loss as they are consumed in operations or expire with the passage of time.

Prepayments are classified in the statement of financial position as current assets when the cost of goods or services related to the prepayments are expected to be incurred within one year or the Trust Fund's normal operating cycle, whichever is longer. Otherwise, prepayments are classified as non-current assets.

Other current assets represent assets of the Trust Fund which are expected to be realized or consumed within one year or within the Trust Fund's normal operating cycle whichever is longer. Other current assets are presented in the financial statement of financial position at cost.

Property and Equipment

Property and equipment are initially measured at cost. The cost of an item of property and equipment comprises:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- the initial estimate of the future 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 a particular period for purposes other than to produce inventories during that period.

The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

At the end of each reporting period, item of property and equipment measured using the cost model are carried at cost less any subsequent accumulated depreciation and impairment losses.

Depreciation is computed on the straight-line method based on the estimated useful lives of the assets.

The Trust Fund estimates the useful lives of its property and equipment based on the period cover which these assets are expected to be available for use. The estimated useful lives of these assets and residual values are reviewed, and adjusted if appropriated, only if there is a significant change in the asset or how it is used.

The following estimated useful lives are used for the depreciation of property and equipment:

Description	Useful Lives
Building	20 years
Building improvement	10 - 20 years
Office equipment	5 years

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

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.

Impairment of Non-financial Assets

At each reporting date, non-financial assets such as property and equipment and intangible 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 profit and loss.

Similarly, at each reporting date, inventories are assessed for impairment by comparing the carrying amount of each item of inventory with its net realizable value. If an item of inventory is impaired, its carrying amount is reduced to net realizable value, and an impairment loss is recognized immediately in profit and loss.

If an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Derecognition of Non-financial Assets

Items of property and equipment and intangible assets are derecognized when these assets are disposed of or when no future economic benefits are expected from these assets. Any difference between the carrying value of the asset derecognized and net proceeds from derecognition is recognized in profit or loss.

Related Party Relationships and Transactions

Related party transactions are transfers of resources, services or obligations between the Trust Fund 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 Trust Fund; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Trust Fund that gives them significant influence over the Trust Fund and close members of the family of any such individual; and, (d) the Trust Fund'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.

Revenue Recognition

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Trust Fund perform its obligations; (b) the Trust Fund's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Trust Fund's performance does not create an asset with an alternative use to the Trust Fund and the Trust Fund has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Trust Fund also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Trust Fund has assessed that it acts as a principal in all of its revenue sources.

The following specific recognition criteria must also be met before revenue is recognized.

<u>Sale of investment certificates</u>

Revenue is recognized when the risks and rewards of ownership of the goods have passed to the buyer, i.e., generally when the customer has acknowledged receipts of investment certificate.

Rental income

Revenue recognition for rental income is disclosed in the Trust Fund policy for leases.

Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Trust Fund and the amount of income can be measured reliably. Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Expense Recognition

Expenses are recognized in profit or loss 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. Expenses are recognized in profit or loss: on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when an 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 statement of financial position as an asset.

Leases

Previously, at the inception of the lease, the Trust Fund determines whether the agreement is or contains lease. Under PFRS 16, the Trust Fund assesses whether an agreement is or contains a lease based on the definition of a lease.

Upon transition to PFRS 16, the Trust Fund elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied PFRS 16 only to agreements which are previously identified as leases. Agreements that were not identified as leases under PAS 17 were not reassessed whether there is a lease. The definition of a lease under PFRS 16 was applied only to agreements entered into or changed on or after January 1, 2019.

Accounting for Leases in Accordance with PAS 17 (2018)

Leases which transfer to the Trust Fund substantially all risks and benefits incidental to ownership of the leased item are classified as finance leases and are recognized as assets and liabilities in the statement of financial position at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, at the present value of minimum lease payments. Lease payments are apportioned between the finance costs and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are directly charged against income. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases which do not transfer to the Trust Fund substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the income statement on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

Trust Fund as Lessor

Leases wherein the Trust Fund substantially transfers to the lessee all risks and benefits incidental to ownership of the leased items are classified as finance leases and are presented as receivable at an amount equal to the Trust Fund's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Trust Fund's net investment outstanding in respect of the finance lease.

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized as income in the statement of revenue and expenses on a straight-line basis over the lease term.

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

Deficit

Deficit represents accumulated losses incurred by the Trust Fund. Deficit may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Foreign Currency Transactions and Translation

The accounting records of the Trust Fund are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Changes in the fair value of monetary financial assets denominated in foreign currency classified as FVOCI financial assets are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security.

Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in the carrying amount are recognized in other comprehensive income.

Changes in accounting policies, change in accounting estimates and correction of prior years' errors

The Trust Fund apply changes in accounting policy if the change is required by PFRS or in order to provide reliable and more relevant information about the effects of transactions, other events or conditions on the Trust Fund's financial statements. Changes in accounting policy brought about by new accounting standards are accounted for in accordance with the specific transitional provision of the standards. All other changes in accounting policy are accounted for retrospectively.

Changes in accounting estimates are recognized prospectively by reflecting it in the profit and loss in the period of the change if the changes affects that period only or the period of the change or future period if the change affects both.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that was available when financial statements for those periods were authorized for issue and could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

To the extent practicable, the Trust Fund corrects a material prior period error retrospectively in the first financial statements authorized for issue after its discovery by restating the comparative amounts for the prior periods(s) presented in which the error occurred, or if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for period presented.

When it is impracticable to determine the period-specific effects of an error on comparative information for one or more prior periods presented, the Trust Fund restates the opening balances of assets, liabilities and equity for the earliest period for which retrospective restatement is practicable.

Events after Reporting Date

Subsequent events that provide additional information about conditions existing at period end (adjusting events) are recognized in the financial statements. Subsequent events that provide additional information about conditions existing after period end (non-adjusting events) are disclosed in the notes to the financial statements.

NOTE 5 - SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the financial statements in accordance with *Philippine Financial Reporting Standards* requires the Trust Fund to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Future events may occur which will cause the assumption used in arriving at the estimates to change. The effects of changes in estimates will be reflected in the financial statements as they become reasonably determinable.

Judgments

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

Classification of Financial Instruments

The Trust Fund classifies a financial instrument, or its component parts, on initial recognition, as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial asset, a financial liability or an equity instrument.

The substance of a financial instrument, rather than its legal form, governs its classification in the statements of financial position.

Determination of Whether a Lease is a Finance or Operating Lease

Operating Lease Commitments – Trust Fund as Lessor

The Trust Fund has determined,, based on an evaluation of the terms and conditions of the arrangements that it retains all the significant risks and rewards of ownership of the properties leased to various lessees, thus, accounts for the contracts as operating leases.

Assessment of Impairment of Non-financial Assets

The Trust Fund determines whether there are indicators of impairment of the Trust Fund's non-financial assets such as property and equipment, and prepayments and other currents assets. Indicators of impairment include significant change in usage, decline in the asset's fair value on underperformance relative to expected historical or projected future results. Determining the fair value requires the determination of future cash flows and future economic benefits expected to be generated from the continued use and ultimate disposition of such assets. It requires the Trust Fund to make estimates and assumptions that can materially affect the financial statements. Future events could be used by management to conclude that these assets are impaired. Any resulting impairment loss could have a material adverse impact on the Trust Fund's financial position and financial performance. The preparation of the estimated future cash flows and economic benefits involves significant judgments and estimation.

No impairment loss is recognized in the Trust Fund's financial statements in 2019 and 2018

Estimates

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated Allowance for ECL

The measurement of the allowance for ECL on financial assets at amortized cost and at FVOCI is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 23.

There was no objective evidence of impairment of receivables in both 2019 and 2018, and therefore no impairment loss was recognized in either of those years.

Total receivables recognized in the Trust Fund's statement of financial position amounted to ₱32,712,560 and ₱40,081,723 as at December 31, 2019 and 2018, respectively.

Estimating Impairment of Inventories

The net realizable value of inventories represents the estimated selling price for inventories less all estimated costs to sell. The Trust Fund determines the estimated selling price based on the recent sale transactions of similar goods with adjustments to reflect any changes in economic conditions since the date the transactions occurred. The Trust Fund records provision for excess of cost over net realizable value of inventories. While the Trust Fund believes that the estimates are reasonable and appropriate, significant differences in the actual experience or significant changes in estimates may materially affect the profit or loss and equity.

As at December 31, 2019 and 2018, Management believes that the net realizable values of the Trust Fund's inventories exceed their carrying values, accordingly, no loss on the decline in value was recognized in both years.

Total inventories recognized in the Trust Fund's statements of financial position amounted to ₱32,712,560 and ₱259,664,134 as at December 31, 2019 and 2018, respectively.

Estimating Useful Lives of Property and Equipment

The Trust Fund estimates the useful lives of its property and equipment based on the period over which these assets are expected to be available for use. The estimated useful lives of these assets and residual values are reviewed, and adjusted if appropriate, only if there is a significant change in the asset or how it is used.

As at December 31, 2019 and 2018, the carrying amounts of the Trust Fund's property and equipment amounted to ₱25,186,704 and ₱16,401,875, respectively. Total accumulated depreciation and amortization as at December 31, 2019 and 2018 amounted to ₱95,253,011 and ₱92,410,913, respectively.

Determining the Fair Value of Financial Instruments

The Trust Fund carries some of its financial assets at fair value, which requires extensive use of accounting estimates and judgment. In addition, certain liabilities acquired through debt exchange and restructuring are required to be carried at fair value at the time of the debt exchange and restructuring. While significant components of fair value measurement were determined using verifiable objective evidence, i.e., foreign exchange rates, interest rates, volatility rates, the amount of changes in fair value would differ if the Trust Fund utilized different valuation methodology. Any change in fair value of these financial assets would affect profit or loss and equity.

The carrying values of the Trust Fund's financial assets at FVOCI are disclosed in Note 10.

NOTE 6 - CASH AND CASH EQUIVALENTS

This account consists of:

		2019		2018
Cash in bank	₱	**5,152**	₱	9,495
Cash equivalents		**179,096,838**		183,240,465
	₱	**179,101,990**	₱	183,249,960

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are short-term placements which are made for varying periods of between one month and three months depending on the immediate cash requirements of the Trust Fund, and earn interest ranging from 1.75% to 7% in 2019 and 2018. Interest earned from these financial assets amounted to ₱5,523,240 and ₱4,418,475 in 2019 and 2018, respectively.

NOTE 7 - RECEIVABLES

This account consists of:

		2019		2018
Receivable from general fund	₱	**25,514,224**	₱	25,514,224
Accrued interest receivables		**2,885,980**		3,081,752
Utilities		**2,546,642**		2,802,669
Rental fee receivables		**1,124,366**		538,612
Interment share receivables		**380,800**		985,600
Receivable from sale of HPICs		**227,656**		7,068,996
Others		**32,892**		89,870
	₱	**32,712,560**	₱	40,081,723

Receivable from general fund is associated to the construction of the Pavilion and Area 2 advanced by PCF.

Accrued interest receivables are interest earned but not yet received from interest bearing financial assets held by the Trust Fund.

Utilities pertains to share of Rosehills Memorial Management Phils Inc. and The Fort Park Estate Inc. for the use of water and electricity.

Rental fee receivable represents unpaid rentals from RMMI for lease of mortuary, crematory and corporate building.

Interment share receivables pertain to the receivable from RMMI for every interment made which amounts to ₱10,000 per interment.

All of the Trust Fund's receivables have been reviewed for indicators of impairment. Management believes that none of receivable is impaired.

NOTE 8 - INVENTORY – SECURITIES

This account consists of Heritage Park Investment Certificates identified as follows:

	2019	2018
Pavilion niches	₱ 102,048,433	₱ 108,752,521
Area 2	25,049,166	28,936,397
Taguig area	61,714,286	61,714,286
Terrasauleum	60,260,930	60,260,930
	₱ 249,072,815	₱ 259,664,134

Number of investment certificates follows:

	2019	2018
Pavilion niches	10,134	10,452
Area 2	554	554
Taguig area	36	36
Terrasauleum	114	114
	10,838	11,156

Heritage Park Investment Certificates evidence the right of the holder to the perpetual use of the burial lots/niches specified in the certificates and the ownership of the improvement and the enjoyment of the common amenities, facilities and services and to the perpetual care and maintenance of Heritage Park.

NOTE 9 - PREPAYMENTS AND OTHER CURRENT ASSETS

This account consists of:

	2019	2018
Input VAT	₱ 32,668,850	₱ 31,654,898
Prepaid income tax	19,089,218	18,505,258
Prepayments	16,800	133,466
	₱ 51,774,868	₱ 50,293,622

Input tax pertains to accumulated VAT inputs from purchases of goods and services. Prepaid income tax pertains to creditable taxes withheld from income payments. This amount can be claimed as charges to Trust Fund's future income tax liability.

Movement of prepaid income tax is as follows:

		2019		2018
Beginning balance	₱	**18,505,258**	₱	15,796,170
Addition		**583,960**		2,709,088
Ending balance	₱	**19,089,218**	₱	18,505,258

Prepayments represents the unexpired portion of insurance premium which is applicable to the succeeding period.

NOTE 10 - FINANCIAL ASSET THROUGH FVOCI

This account consists of various investments which are stated at fair value as follows:

		2019		2018
Fixed rate treasury notes (FXTNs)	₱	**90,545,608**	₱	85,244,134
Republic of the Philippines (ROP) dollar bonds		**71,615,797**		72,600,540
	₱	**162,161,405**	₱	157,844,674

Fair values of these financial assets are determined using level 1 inputs.

FXTNs are subject to 18.25% interest rate which will mature on November 29, 2025.

Investment in ROP dollar bond has fair value of $1,414,354 (@50.64) and $1,380,763 (@52.58) as at December 31, 2019 and 2018, respectively. These are subject to 10.625% interest rate and will mature on March 16, 2025.

Interest income recognized from these investments in 2019 and 2018 amounts to ₱13,232,064 and ₱12,861,668, respectively.

NOTE 11 - PROPERTY AND EQUIPMENT - NET

A reconciliation of the carrying amounts at the beginning and end of 2019 and 2018, of property and equipment is shown below:

2019

	Buildings	Building improvements	Office equipment	Total
Costs				
January 01, 2019	₱ 65,607,788	₱ 43,157,000	₱ 48,000	₱ 108,812,788
Additions	-	11,626,927	-	11,626,927
Disposals	-	-	-	-
December 31, 2019	65,607,788	54,783,927	48,000	120,439,715
Accumulated depreciation				
January 01, 2019	60,952,105	31,415,608	43,200	92,410,913
Depreciation expense	1,643,182	1,194,116	4,800	2,842,098
Disposals	-	-	-	-
December 31, 2019	62,595,287	32,609,724	48,000	95,253,011
Carrying amount				
December 31, 2018	₱ 4,655,683	₱ 11,741,392	₱ 4,800	₱ 16,401,875
Carrying amount				
December 31, 2019	**₱ 3,012,501**	**₱ 22,174,203**	**₱ -**	**₱ 25,186,704**

2018

	Buildings	Building improvements	Office equipment	Total
Costs				
January 01, 2018	₱ 65,607,788	₱ 39,285,581	₱ 48,000	₱ 104,941,369
Additions	-	3,871,419	-	3,871,419
Disposals	-	-	-	-
December 31, 2018	65,607,788	43,157,000	48,000	108,812,788
Accumulated depreciation				
January 01, 2018	58,899,618	30,557,153	33,600	89,490,371
Depreciation expense	2,052,487	858,455	9,600	2,920,542
Disposals	-	-	-	-
December 31, 2018	60,952,105	31,415,608	43,200	92,410,913
Carrying amount				
December 31, 2017	₱ 6,708,170	₱ 8,728,428	₱ 14,400	₱ 15,450,998
Carrying amount				
December 31, 2018	**₱ 4,655,683**	**₱ 11,741,392**	**₱ 4,800**	**₱ 16,401,875**

The carrying values of the property and equipment approximate their fair values. None of the property and equipment of the Trust Fund was used as collateral for loan.

NOTE 12 - OTHER NON-CURRENT ASSET

Other non-current asset pertains to the Geographic Information System database of the Heritage Park which is ongoing development stage amounting to ₱2,600,000 as of December 31, 2019

NOTE 13 - PAYABLES

This account consists of:

	2019	2018
Payable to general fund	₱ **92,409,443**	₱ 92,409,443
Payable to contractors	**11,067,706**	-
Accrued expenses	**9,139,385**	8,684,724
Retention payable	**1,103,304**	-
Withholding tax payable	**746,483**	553,842
Deferred VAT output	-	694,920
	₱ **114,466,321**	₱ 102,342,929

Payable to general fund pertains to funds to be remitted to the General Fund as a result of the variation agreement between HPMC and RMMI signed June 27, 2014 (Note 22).

Payable to contractor pertains on the construction of the sewage treatment plant and sequential batch reactor for the irrigation of the Heritage Park.

Details of accrued expenses are as follow:

	2019	2018
Maintenance fee	₱ **5,945,343**	₱ 5,910,653
Security services	**2,058,074**	1,796,125
Trust fees	**636,500**	635,846
Professional fee	**338,450**	127,680
Water consumption	**161,018**	214,420
	₱ **9,139,385**	₱ 8,684,724

Retention payable pertains to the due to the contractor that were deduced from the amount billed and retained by the Trust Fund and will be paid upon completion of the project under the contract.

Deferred VAT output pertains to output VAT on outstanding receivables. These are subsequently reclassified to VAT output payable upon collection.

NOTE 14 - UNEARNED REVENUES

Details of this account are as follows:

		2019		2018
Current portion of unearned revenues	₱	**10,791,479**	₱	10,318,546
Long-term portion		**12,897,621**		23,688,938
	₱	**23,689,100**	₱	34,007,484

Movement of unearned revenues follows:

		2019		2018
Beginning of the year	₱	**34,007,484**	₱	1,179,244
Additions		**-**		42,694,579
Amortization		**(10,318,384)**		(9,866,339)
Balance at the end of year	₱	**23,689,100**	₱	34,007,484

This account pertains to advance rental received from Pilipinas Shell Petroleum Corporation related to lease contract executed last August 13, 2014. (Note 19).

Unearned revenues are income received by the Trust Fund which has not yet been earned as at reporting dates.

NOTE 15 - FUNDS AND CONTRIBUTION

This account consists of:

		2019		2018
Initial amount allocated to PCF	₱	**300,525,000**	₱	300,525,000
Reserve heritage certificates		**56,382,852**		56,382,852
Additional contributions		**464,880,211**		470,282,370
	₱	**821,788,063**	₱	827,190,222

The Trust recognized additional contributions of ₱46,517,706 in 2015 which are proceeds for prior transactions received during the period as a result of the settlement of accounts between RMMI and HPMC as agreed upon in compromise agreement (Note 21). These are Perpetual Care Fund contributions of 12% in relation to the sale of PCF products, lots in Area 2, CDA and Pavilion.

Below are the details of the increase:

		Amount
PCF Product	₱	3,151,459
PCF - Area 2		1,614,501
PCF – CDA		11,804,933
PCF – Pavilion		29,946,813
	₱	46,517,706

NOTE 16 - REVENUES

This account consists of interest income on investments, loan and deposits and rental income.

		2019		2018
Rental and miscellaneous income	₱	**36,224,616**	₱	43,316,084
Interest income from:				
Savings account		**2,159**		2,200
CTD/PSA		**5,521,081**		4,416,275
FXTN/Bonds		**13,232,064**		12,861,668
Loans		**-**		1,320,219
	₱	**54,979,920**	₱	61,916,446

Interest earned from loans pertains to the promissory note granted to Rosehills Memorial Management (Philippines), Inc. with an original amount of ₱85,000,000 payable in fifteen (15) years subject to 7% interest per annum and additional earnings of 10% of net profit from the Nacional Memorial Homes. The purpose of the loan granted to RMMI was for the purchase of the Nacional Memorial Homes located at Araneta Ave., Quezon City and to maximize earnings of the Fund. In 2018, the loan receivable is fully collected.

Details of rental and miscellaneous income are as follows:

		2019		2018
Rental income	₱	**16,236,545**	₱	15,536,970
Share on utilities		**10,716,887**		9,632,865
Sale of pavilion niches*		**7,763,752**		7,603,733
Share on interment		**4,980,000**		5,490,000
Foreign exchange gains (loss)		**(3,764,620)**		4,697,386
Share on oil products (Note 19)		**292,052**		355,130
	₱	**36,224,616**	₱	43,316,084

**sale of pavilion niches is net of cost of sale amounting to ₱1,636,866 and 1,341,835 in 2019 and 2018, respectively.*

NOTE 17 - EXPENSES

Details of the operating expenses are as follows:

		2019		2018
Repairs and maintenance	₱	**14,786,668**	₱	12,624,433
Light and water		**13,319,664**		12,350,793
Security services		**11,166,388**		10,526,647
Management fee		**8,400,000**		8,427,859
Depreciation		**2,842,098**		2,920,542
Trust fee		**2,527,096**		2,535,962
Commission		**1,992,142**		1,122,072
Professional fees		**494,250**		512,500
Appropriated operating funds		**427,680**		240,000
Insurance		**116,666**		234,215
Miscellaneous		**817,115**		122,500
	₱	**56,889,767**	₱	51,617,523

NOTE 18 - OTHER COMPREHENSIVE INCOME

This account pertains to increases and decreases in the fair values of the investments held by the Trust Fund during a given period. As at December 31, 2019 and 2018, net unrealized gain on FVOCI investments reported under equity amounted to ₱55,993,759 and ₱49,280,811

Breakdown of this account is as follows:

		2019		2018
Fixed rate treasury notes (FXTNs)	₱	**31,642,229**	₱	27,466,634
Republic of the Philippines (ROP) dollar bonds		**24,351,530**		21,814,177
	₱	**55,993,759**	₱	49,280,811

NOTE 19 - LEASE AGREEMENT

On August 13, 2014, the Trust Fund entered into lease agreement through its representative Heritage Park Management Corporation (HPMC) with Pilipinas Shell Petroleum Corporation (SHELL). The Trust Fund leased to SHELL a portion of the parcel of land located along C-5 Road Southbound, Fort Bonifacio, Taguig City, containing an area of Two Thousand Seven Hundred Twenty-Five (2,725) square meters, more or less, as site for full service gasoline station. The term of the lease agreement is Twenty (20) years commencing in February 2017. The fixed amount of rent is ₱288.50 per square meter per month and subject to escalation rate of 5% per annum starting on the second year.

The agreement provides for the payment of security deposit amounting to ₱10,094,326 in 2019 and 2018. Additional requirement of the agreement is the payment of advance rental equivalent to the fixed rent for the first (1st) year of the contract and second (2nd) to fifth (5th) year inclusive of the annual 5% escalation rate (see Note 14).

Total rent income earned from this lease agreement which is presented under the statements of revenue and expenses amounts to ₱10,318,383 and ₱9,866,339 in 2019 and 2018, respectively.

Future minimum lease receivables under such operating lease are as follows:

		2019		2018
Not later than one year	₱	**10,791,479**	₱	10,318,546
Later than one year but not later than five years		**61,845,793**		59,135,422
Later than five years		**198,223,088**		211,724,938
	₱	**270,860,360**	₱	281,178,906

NOTE 20 - PRIOR PERIOD ADJUSTMENT

In 2019, the Trust Fund recognized prior period correction of balances resulting to a decrease in funds and contribution amounting to ₱7,068,996 and an increase in Deficit amounting to ₱6,131,596.

NOTE 21 - VARIATION AGREEMENTS

On June 27, 2014, the Trust Fund through its representative Heritage Park Management Corporation (HPMC) entered into variation agreement with Rosehills Memorial Management Philippines, Inc. (RMMI).

The following are the more significant terms and conditions of the agreement:

- *Settlement of Arbitral Award.* The parties agreed to abide by, respect and settle the arbitral awards. Whereas HPMC will pay the amount of ₱186,060,253 to RMMI for management and maintenance fee and on the other hand RMMI will remitted back the amount of ₱87,086,561 to HPMC for the over remittance of operating fund "management and maintenance fund".

- *Settlement of Fees Dues Up to December 2013.* The parties further agree that the management and maintenance fee due to RMMI for the period June 2012 to December 2013 shall be ₱2,500,000.

- *Management Fee.* HPMC agrees to pay RMMI a management fee of ₱700,000 a month for the overall management and maintenance of the Park. The amount shall be subject to escalation every two years, at a rate that shall be agreed upon by both parties and subject to regular review.

- *Earning/Income of PCF.* The parties hereby agree that ₱10,000 of the payment for every interment conducted in the Park shall be remitted to and shall constitute earnings of income of the Perpetual Care Fund established for the long-term maintenance of the Park. The amount shall be subject to escalation in the same manner of the management fee.

- *Additional Park Lease Payments.* The parties agree that RMMI shall pay, for all areas or lots situated at the Park utilized by it as of the date of execution of the Agreement that are related or attributable to the park maintenance, a nominal or concessional lease payment in the amount of ₱10,000 monthly. For areas or lots situated at the Park that RMMI utilizes as of the execution of this Agreement that are solely devoted to the business enterprise of RMMI and are in no way related to the upkeep and maintenance of the Park, RMMI shall pay a standard lease payment in the amount of ₱50,000 monthly. These leases shall be paid and remitted to the Perpetual Care Fund as earnings or income of the Perpetual Care Fund.

NOTE 22 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Market Risk

The Trust Fund is exposed to market risk through its use of financial instruments and specifically to foreign currency risk and interest rate risk which result from both its operating, investing and financing activities.

a.) Foreign Currency Risk

The Trust Fund's exposure to the risk for changes in foreign exchange rates relates primarily to the Trust Fund's dollar denominated deposits. The following table shows the Trust Fund US dollar- denominated monetary financial assets and and their Philippine peso equivalent:

	2019		2018	
	Peso Equivalent	**Amount in Foreign Currency**	Peso Equivalent	Amount in Foreign Currency
Financial asset at amortized cost:				
Cash and cash equivalents	**52,095,738**	**1,026,638**	47,496,965	900,860

For purposes of restating the outstanding balances of the Trust Fund's foreign currency-denominated financial assets and liabilities as at December 31, 2019 and 2018, the exchange rate applied was ₱50.74 and ₱52.72 per US$1, respectively.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Trust Fund's income before tax for the years ended December 31, 2019 and 2018 (due to changes in the fair value of financial assets and liabilities). There is no other impact on the Trust Fund's equity other than those already affecting profit or loss.

	Increase/Decrease in Exchange Rate	Effect on Income before Tax
December 31, 2019	**+1.98**	**₱2,032,743**
	-1.98	**-2,032,743**
December 31, 2018	+2.80	₱2,522,408
	-2.80	-2,522,408

b.) Interest Rate Risk

The Trust Fund's exposure to the risk for changes in interest rates relates primarily to the Trust Fund's bank accounts to local financial institutions with fixed interest rate. In 2019 and 2018. The Trust Fund has no established policy is managing interest rate risk. Management believes that fluctuations on the interest rates will not have significant effect on the Trust Fund's financial performance.

Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Trust Fund. The Trust Fund is exposed to this risk for various financial instruments arising from services to customers and certificate holders; placing deposits with banks; and, investing in bonds and treasury bills that are carried at FVOCI.

The Trust Fund continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Trust Funds' policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of sales, advance payments are received to mitigate credit risk.

With respect to credit risk arising from other financial assets of the Trust Funds, which comprise cash and cash equivalents and receivables, the Trust Fund's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Trust Fund limits its exposure to credit risks by depositing its cash only with financial institutions duly evaluated and approved by the Management. The Trust Fund's exposure on rental deposit is minimal since no default in payments were made by the counterparties.

The tables below show the credit quality per class of financial asset as at December 31, 2019 and 2018.

	December 31, 2019					
	Neither past due nor impaired					
	High grade	Standard Grade	Substandard Grade	Past Due but not Impaired	Impaired	Total
Cash and cash equivalents	₱ 179,101,990	₱ -	₱ -	₱ -	₱ -	₱ 179,101,990
Receivables	-	39,781,556	-	-		39,781,556
	₱ 179,101,990	₱ 39,781,556	₱ -	₱ -	₱ -	₱ 218,883,546

	December 31, 2018					
	Neither past due nor impaired					
	High grade	Standard Grade	Substandard Grade	Past Due but not Impaired	Impaired	Total
Cash and cash equivalents	₱ 183,249,960	₱ -	₱ -	₱ -	₱ -	₱ 183,249,960
Receivables	-	40,081,723	-	-		40,081,723
	₱ 183,249,960	₱ 40,081,723	₱ -	₱ -	₱ -	₱ 223,331,683

The credit quality of the financial assets is managed by the Trust Fund using the internal credit quality ratings. High grade accounts consist of receivables from debtors with good financial condition and with relatively low defaults. Financial assets having risks of default but are still collectible are considered standard grade accounts. Receivables that are still collectible but require persistent effort from the Trust Fund to collect are considered substandard grade accounts.

None of the Trust Fund's financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents as described below.

Cash

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash and cash equivalents are cash in banks and short-term placements which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P500,000 for every depositor per banking institution

Receivables

The Trust Fund applies the PFRS 9 simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade receivables and other receivables.

To measure the expected credit losses, receivables have been grouped based on shared credit risk characteristics and the days past due (age buckets). The other receivables relate to receivables from both third and related parties other than trade receivables and have substantially the same risk characteristics as the trade receivables. The Trust Fund has therefore concluded that it is not necessary to provide allowance for expected credit loss due to the nature of its receivables.

Liquidity Risk

The Trust Fund's exposure to liquidity risk is minimal. The Trust Fund's objective is to maintain a balance between continuity of funding and flexibility through the use of loans. In addition, the Trust Fund regularly evaluates its projected and actual cash flows.

The following table presents the maturity profile of the Trust Fund's financial liabilities as at December 31, 2019 and 2018 based on contractual undiscounted payments.

	December 31, 2019						
	Within 1 Year	**1 to 2 Years**	**2 to 3 Years**	**3 to 5 Years**	**More than 5 Years**	**No fixed maturity date**	**Total**
Payables*	**₱21,310,395**	**₱-**	**₱-**	**₱-**	**₱-**	**₱101,086,644**	**₱122,397,039**
Security deposit	**-**	**-**	**-**	**-**	**10,791,479**	**-**	**10,791,479**
	₱21,310,395	**₱-**	**₱-**	**₱-**	**₱10,791,479**	**₱101,086,644**	**₱133,188,518**

	December 31, 2018						
	Within 1 Year	1 to 2 Years	2 to 3 Years	3 to 5 Years	More than 5 Years	No fixed maturity date	Total
Payables*	₱8,684,724	₱-	₱-	₱-	₱-	₱101,086,644	₱109,771,368
Security deposit	-	-	-	-	10,791,479	-	10,791,479
	₱-	₱-	₱-	₱-	₱10,791,479	₱101,086,644	₱120,562,847

** Amounts are exclusive of nonfinancial liabilities amounting to ₱746,483and ₱1,248,762 as at December 31, 2019 and 2018, respectively.*

Capital Management

The primary objective of the Trust Fund's capital management is to ensure that it maintains strong and healthy financial position to support its current business operations and drive its expansion and growth in the future.

The Trust Fund considers its net equity totaling ₱562,140,215 and ₱553,487,516 as at December 31, 2019 and 2018, respectively as its capital employed. The Trust Fund maintains its current capital structure, and will make adjustments, if necessary, in order to generate a reasonable level of returns over the long term. No changes were made in the objectives, policies or processes during the years ended December 31, 2019 and 2018.

Fair Value Measurement

The following table presents the carrying amounts and fair values of the Trust Fund's assets and liabilities measured at fair value and for which fair values are disclosed, and the corresponding fair value hierarchy:

		2019			
			Fair Value		
	Note	Carrying Amount	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets for which fair values are disclosed:					
Cash and cash equivalents	**6**	**₱ 179,101,990**		**₱ 179,101,990**	
Receivables	**7**	**39,781,556**		**39,781,556**	
		₱218,883,546		**₱218,883,546**	
Liabilities for which fair values are disclosed:					
Payables*	**13**	**₱ 122,397,039**		**₱ 122,397,039**	
Security deposit	**20**	**10,791,479**		**10,791,479**	
		₱ 133,188,518		**₱133,188,518**	

		2018			
			Fair Value		
	Note	Carrying Amount	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets for which fair values are disclosed:					
Cash and cash equivalents	6	₱ 183,249,960		₱ 183,249,960	
Receivables	7	40,081,723		40,018,723	
		₱223,331,683		₱ 223,331,683	

		2019			
			Fair Value		
	Note	Carrying Amount	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Liabilities for which fair values are disclosed:					
Payables*	13	₱ 109,771,368		₱ 109,771,368	
Security deposit	20	10,791,479		10,791,479	
		₱ 120,562,847		₱ 120,562,847	

* *Amounts are exclusive of nonfinancial liabilities amounting to ₱746,483and ₱1,248,762 as at December 31, 2019 and 2018, respectively.*

The carrying amounts of cash and cash equivalents, receivables, payables, and security deposit approximate their fair values due to the short-term nature of these transactions.

NOTE 23 - SUBSEQUENT EVENTS

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 the implementation of enhanced 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 a widespread business suspension – disrupting the supply chains, affecting production and sales across a range of industries, and weakening the stock market.

Due to the implementation of the above government measures, the Trust Fund has reduced its operating hours. The duration of business disruption cannot be ascertained at this time, as well its effect in the Trust Fund's revenue, cash flows and total effect in the Trust Fund's financial condition.

In support and compliance with the government measures to protect the welfare and interest of the Trust Fund's stakeholders, including its business counterparties, the Trust Fund has implemented safety measures and activated its business continuity plan. Management believes that these measures can mitigate further negative impact of the outbreak to the Trust Fund's business and to its financial condition and performance for the next reporting period(s).

The Trust Fund has determined that these events are non-adjusting subsequent events. Accordingly, their impact was not reflected in the Trust Fund's financial statements as of and for the year ended December 31, 2019.

NOTE 24 - SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Presented below and in the succeeding pages is the supplementary information which is required by the Bureau of Internal Revenue (BIR) under Revenue Regulation (RR) No. 15-2010 to disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

The information on taxes, duties and license fees paid or accrued during the taxable year required under RR No. 15-2010 are presented below:

(a) Value-added Tax

The Trust Fund is registered under the VAT law. Detailed classification of input and output VAT are as follows:

		Amount
Total output VAT	₱	3,725,039
Total input VAT		5,333,812

Total VAT payment made by the Trust Fund for the year ended December 31, 2019 amounted to ₱nil.

(b) Withholding Taxes

Withholding taxes paid and accrued during the year is as follows:

		Amount
Withholding tax at source (expanded)	₱	2,120,392

(c) Tax Assessments and Cases

The Organization did not receive any Letter of Authority or Tax Verification Notice from the Bureau of Internal Revenue (BIR) during the period. The Organization has no pending tax cases as of reporting dates.