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BOA/PRC Reg. No. 0005  
 SEC Accreditation No. 0007-F

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Governors and Members  
**BEL-AIR VILLAGE ASSOCIATION, INC.**  
 40 Solar St., Bel-Air Village  
 Makati City

We have audited the accompanying financial statements of **BEL-AIR VILLAGE ASSOCIATION, INC.** (A *Non-Stock and Non-Profit Corporation*), which comprise the statements of financial position as of December 31, 2009 and 2008, and the related statements of revenues and expenses, cash flows and changes in members' equity for the years then ended, and a summary of significant accounting policies and other explanatory notes.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with financial accounting standards in the Philippines for non-publicly accountable entities. This responsibility includes: designing, implementing and maintaining internal control 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.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



**CERTIFIED TRUE COPY OF ORIGINAL**

*[Signature]*  
**ROBERT P. SAN PEDRO**  
 Revenue Officer II  
 RDO 49 - North Makati

Independent Auditor's Report  
To the Board of Governors and Members  
Bel-Air Village Association, Inc.  
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*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of BEL-AIR VILLAGE ASSOCIATION, INC. (A Non-Stock and Non-Profit Corporation) as of December 31, 2009 and 2008, and its financial performance and its cash flows for the years then ended in accordance with financial accounting standards in the Philippines for non-publicly accountable entities.

For the Firm: Alba Romeo and Co



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Partner

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PTR No. 2124107, January 18, 2010, Makati City

Tax Identification No. 123-046-738

BIR Accreditation No. 08-001682-12-2009

SEC Accreditation No. 0804-A

SEC Accreditation No. 0007-FR-2

PRC/BOA Accreditation No. 0005

Makati City, Philippines  
March 19, 2010



**BEL-AIR VILLAGE ASSOCIATION, INC.**  
(A Non-Stock and Non-Profit Corporation)

**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2009 AND 2008**

	Notes	2009	2008
<b>A S S E T S</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	P63,248,803	P60,451,902
Assessment dues and other receivables	4	5,544,679	4,127,901
Prepaid expenses		238,359	44,972
Total current assets		69,031,841	64,624,775
<b>Non-current assets</b>			
Property and equipment, net	5	14,806,911	18,480,158
Other assets	6	211,254	225,990
Total non-current assets		15,018,165	18,706,148
Total assets		P84,050,006	P83,330,923
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable		P1,419,077	P1,601,676
Accrued expenses		393,625	778,477
Refundable deposits	7	27,916,706	28,776,146
Deferred assessment dues, net		2,964,157	2,571,279
Total current liabilities		32,693,565	33,727,578
<b>Non-current liabilities</b>			
Accrued retirement liability	10	178,991	60,591
Reserve for general contingencies	8	17,207,776	18,047,776
Total non-current liabilities		17,386,767	18,108,367
Total liabilities		50,080,332	51,835,945
<b>Equity</b>			
Members' equity		33,969,674	31,494,978
Total liabilities and equity		P84,050,006	P83,330,923

(The notes on pages 1 to 11 are integral part of these financial statements.)

**BEL-AIR VILLAGE ASSOCIATION, INC.**  
(A Non-Stock and Non-Profit Corporation)

**STATEMENTS OF REVENUES AND EXPENSES**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008**

	Notes	2009	2008
<b>Revenues</b>			
Assessment and other dues, net		P15,971,223	P16,036,561
Interest and other income, net		6,827,128	7,788,962
		<u>22,798,351</u>	<u>23,825,523</u>
<b>Expenses</b>			
Security services and related charges		7,187,625	6,985,301
Office salaries and bonuses		2,465,022	2,841,343
Derecognition of property and equipment	5	2,185,651	-
Depreciation and amortization	5,6	1,704,229	2,057,721
Separation Pay	9	1,323,899	-
Repairs and maintenance		1,203,599	1,930,387
Socials and athletics		1,012,021	1,112,806
Employees' benefits		848,265	1,614,632
Special project		578,448	927,927
Taxes and licenses		446,038	464,193
Professional fees		398,400	210,365
Communications and publications		331,976	355,578
Retirement benefits cost	10	164,400	344,709
Stationery and office supplies		151,079	102,471
Miscellaneous		323,003	332,270
		<u>20,323,655</u>	<u>19,279,703</u>
<b>Excess of revenues over expenses</b>		<u><u>P2,474,696</u></u>	<u><u>P4,545,820</u></u>

(The notes on pages 1 to 11 are integral part of these financial statements.)

BEL-AIR VILLAGE ASSOCIATION, INC.  
(A Non-Stock and Non-Profit Corporation)

STATEMENTS OF CHANGES IN MEMBERS EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008

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Balance at January 1, 2008	P26,949,158
Excess of revenues over expenses for the year	<u>4,545,820</u>
Balance at December 31, 2008	31,494,978
Excess of revenues over expenses for the year	<u>2,474,696</u>
<b>Balance at December 31, 2009</b>	<b><u><u>P33,969,674</u></u></b>

(The notes on pages 1 to 11 are integral part of these financial statements.)

**BEL-AIR VILLAGE ASSOCIATION, INC.**  
(A Non-Stock and Non-Profit Corporation)

**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2009 and 2008**

	Notes	2009	2008
<b>Cash flows from operating activities</b>			
Excess of revenues over expenses		P2,474,696	P4,545,820
Adjustments for			
Depreciation and amortization	5,6	1,704,228	2,057,721
Derecognition of property and equipment	5	2,185,651	-
Gain on disposal of property and equipment		(9,239)	(56,597)
Provision for retirement benefit cost		164,400	
Interest income		(2,798,058)	(2,914,177)
Operating income before changes in working capital		<u>3,721,678</u>	<u>3,632,767</u>
Changes in working capital accounts			
Decrease (increase) in			
Assessment dues and other receivables		(1,728,556)	(1,417,992)
Prepaid expenses		(193,387)	7,443
Increase (decrease) in			
Accounts payable		(182,599)	74,037
Accrued expenses		(384,852)	366,763
Refundable deposits		(859,440)	7,049,500
Deferred assessment dues		392,878	494,767
<b>Cash generated from operations</b>		<u>765,722</u>	<u>10,207,285</u>
Contribution to retirement fund		(46,000)	(102,991)
Utilization of general contingency fund	8	(840,000)	-
Interest received		<u>3,109,836</u>	<u>2,521,127</u>
<b>Net cash provided by operating activities</b>		<u>2,989,558</u>	<u>12,625,421</u>
<b>Cash flows from investing activities</b>			
Additions to property and equipment	5	(196,897)	(97,160)
Proceeds from disposal of property and equipment		9,240	6,600
Increase in miscellaneous deposits		(5,000)	-
<b>Net cash used in investing activities</b>		<u>(192,657)</u>	<u>(90,560)</u>
<b>Net increase in cash and cash equivalents</b>		<u>2,796,901</u>	<u>12,534,861</u>
<b>Cash and cash equivalents</b>			
January 1		<u>60,451,902</u>	<u>47,917,041</u>
December 31		<u>P63,248,803</u>	<u>P60,451,902</u>

(The notes on pages 1 to 11 are integral part of these financial statements.)

**BEL-AIR VILLAGE ASSOCIATION, INC.**  
(A Non-Stock and Non-Profit Corporation)

**NOTES TO FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

**NOTE 1 - CORPORATE INFORMATION**

Bel-Air Village Association, Inc. ("the Association"), a non-stock and non-profit corporation was organized under the laws of the Republic of the Philippines and registered with the Securities and Exchange Commission (SEC) per SEC Registration No. 013005; its primary purpose is to maintain sanitation, afford community police protection, fire prevention, and uniformity of the surrounding premises of the occupants of the Bel-Air Subdivision situated in the City of Makati.

The Board of Governors approved and authorized for issue the Association's December 31, 2009 financial statements on March 19, 2010.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Basis of Preparation**

The financial statements of the Association have been prepared in accordance with financial accounting standards in the Philippines for non-publicly accountable entities (NPAEs) as set forth in Philippine Accounting Standards (PAS) 101, *Financial Reporting Standards for NPAEs*, issued and approved by the Accounting Standard Council (ASC) and the SEC, effective for periods beginning on or after January 1, 2005 to 2007\*. PAS 101 provides an option to NPAEs to apply financial reporting standards effective as of December 31, 2004, and not to apply any of the new Philippine Accounting Standards (PASs) and Philippine Financial Reporting Standards (PFRSs) that became effective in 2006 and 2005, or to apply all or some of the relevant new accounting standards.

The Association has qualified as an NPAE under PAS 101 and it has opted to apply the applicable financial reporting standards effective as of December 2004 and some of the PASs and PFRSs that became effective in 2005, which are relevant to the Association.

The accompanying financial statements have been prepared under the historical cost convention and in the Philippine pesos, which is the Association's functional currency.

Accounting estimates and assumptions are used in preparing the financial statements. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

### *Changes in accounting policies*

#### a.) New standards, interpretations and amendments effective January 1, 2009

The following new standards, which have not been applied in these financial statements, will or may have an effect on the Association's future financial statements:

- *PAS 1 (Revised), Presentation of Financial Statements*  
This amendment requires a Company to present all items of income and expense recognized in the period in a single statement of comprehensive income or in two statements: a separate statement of income and a statement of comprehensive income. The statement of comprehensive income shall disclose profit and loss for the period, plus each component of income and expense recognized outside of profit and loss.
- *Amendments to PFRS 7, Improving Disclosures about Financial Instruments*  
The application of this Amendment has resulted in changes to the disclosures provided in respect of financial instruments, includes an analysis of financial asset and financial liability that is measured at fair value in the statement of financial position, into a three level fair value measurement hierarchy. The Amendment does not change the recognition or measurement of transactions and balances in the financial statements.

The following new standards, interpretations and amendments, which have not been applied in these financial statements, are not expected to have an effect on the Company's future financial statements:

- PAS 23 (revised), Borrowing Costs (revision of PAS 23) - effective January 1, 2009
- PFRS 8 Operating segments (replacement of PAS 14, Segment Reporting) - effective January 1, 2009
- PFRS 2 amendment, Vesting Conditions and Cancellations - effective January 1, 2009
- PFRS 7 amendments, Improving Disclosures about Financial Instruments - effective January 1, 2009
- PAS 27 amendments, Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate - effective January 1, 2009
- PAS 32 and PAS 1 amendments, Puttable Financial Instruments and Obligations Arising on Liquidation & Improvements to PFRSs 2008 - effective January 1, 2009

#### b.) New standards, interpretations and amendments but are not yet effective

The Association is aware of the following new standard, that has been approved but is not yet effective and is expected to have an effect on the Association's future financial statements:

- PFRS for SMEs (effective for annual periods beginning on or after January 2, 2010)

The 'Philippine Financial Reporting Standard for Small and Medium-sized Entities' (PFRS for SMEs) applies to all entities that do not have public accountability and that are required, or choose, to publish general purpose financial statements for external users.

In this PFRS for SMEs, many of the principles in full PFRS for recognizing and measuring assets, liabilities, income and expenses have been simplified, topics that are not relevant to SMEs have been omitted, and the required disclosures have been significantly reduced.

The Association is currently assessing the impact of adopting this standard and is expecting to adopt beginning January 1, 2010.

The Association is also aware of the following new standards, interpretation and amendments that have been approved but are not yet effective and are not expected to have an effect on the Association's future financial statements:

- PFRS 3 (revised), Business Combinations (revision of PFRS 3) - effective July 1, 2009
- PAS 27 (revised), Consolidated and Separate Financial Statements (amendment of PAS 27) - effective July 1, 2009
- PAS 39 amendment, Eligible Hedged Items & Improvements to PFRSs 2009 - effective July 1, 2009 and January 1, 2010, unless otherwise stated
- Philippine Interpretation IFRIC-15, Agreements for the Construction of Real Estate - effective January 1, 2012
- Philippine Interpretation IFRIC-17, Distributions of Non-cash Assets to Owners - effective July 1, 2009
- Philippine Interpretation IFRIC-18, Transfers of Assets from Customers - effective July 1, 2009

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. The policies have been consistently applied.

## **2.2 Cash and Cash Equivalents**

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition and that are subject to an insignificant risk of change in value.

## **2.3 Receivables**

Receivables are stated at their nominal value.

Bad debts are written off when identified as no longer collectible.

## **2.4 Property and Equipment**

Property and equipment are initially measured at cost less any subsequent accumulated depreciation and any accumulated impairment losses.

The initial cost of property and equipment consists of its purchase price and any costs directly attributable to bringing the asset to the location and condition for its intended use. Subsequent expenditures relating to an item of property and equipment that has already been recognized is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the original assessed standard of performance of the existing property and equipment will flow to the Association. All other subsequent expenditures are recognized as expenses in the period these are incurred.

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

<u>Classification</u>	<u>Estimated Useful life</u>
Community center	10 - 25 years
Park improvements and playground equipment	4 - 10 years
Perimeter walls and steel gates	10 years
Security building and equipment	4 - 25 years
Furniture, fixtures and equipment	2 - 25 years
Water cistern	20 years
Computer software	5 years
Small tools and other equipment	2 -10 years

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation and any accumulated impairment losses are removed from the accounts and any resulting gain or loss is credited or charged to current operations.

### **Impairment of Non-Financial Assets**

The carrying amounts of the Association's non-financial assets such as property and equipment and other assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognized in the statement of revenues and expenses whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

The recoverable amount of a non-financial asset is the greater of the asset's fair value less costs to sell and its value in use. The fair value less costs to sell is the amount obtainable from the sale of the asset in an arm's length transaction. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash flows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. Reversals of impairment are recognized in the statement of revenues and expenses.

### **2.5 Payables and Provisions**

Payables are stated at their nominal value.

Provisions are recognized when there is a present obligation, legal or constructive, as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

### **2.6 Equity**

Member's equity includes all current and prior period results as disclosed in the statements of revenues and expenses.

## **2.7 Revenue Recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Association and the amount of revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

### *Assessment and Other Dues*

Assessment and other dues are recognized annually based on the fixed rate per square meter occupied by member and there is a reasonable degree of certainty as to its collectibility.

### *Interest Income*

Interest income is recognized as the interest accrues on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable.

## **2.8 Retirement Benefits**

The Association has a defined benefit retirement plan covering all permanent regular full-time employees. The Association's retirement benefits cost are actuarially determined using the projected unit credit method. This method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning the employee's projected salaries. Retirement benefit costs include current service cost plus amortization of past service costs, experience adjustments and changes in actuarial assumptions over the expected average remaining working lives of the covered employees.

## **2.9 Contingencies**

Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed in the notes to financial statements when an inflow of economic benefits is probable.

## **2.10 Foreign Currency Transactions**

Transactions entered into by the Association in currencies other than the Philippine Peso, the currency of the primary economic environment in which it operates (the "functional currency"), are recorded at the rates prevailing when the transactions occur. Foreign currency denominated monetary assets and liabilities are translated at the rates prevailing at the statement of financial position date. Exchange differences arising on the settlement of or unsettled monetary items, and on the translation of monetary items, are recognized in the statement of revenues and expenses in the period in which these arise.

## **2.11 Events After the Financial Reporting Date**

Post year-end events up to the date of the auditor's report that provide additional information about the Association's position at statement of financial position date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

### Note 3 - CASH AND CASH EQUIVALENTS

This account consists of:

	<u>2009</u>	<u>2008</u>
Cash on hand	P160,794	P19,087
Cash in banks	2,969,509	2,462,767
Short-term placements	<u>60,118,500</u>	<u>57,970,048</u>
	<u>P63,248,803</u>	<u>P60,451,902</u>

Short-term placements with certain domestic banks earn interest based on prevailing money market rates.

### NOTE 4 - ASSESSMENT DUES AND OTHER RECEIVABLES

This account consists of the following:

	<u>2009</u>	<u>2008</u>
Residential dues receivable	P341,405	P293, 556
Commercial dues receivable	3,407,257	2,304,222
Other accounts receivable	1,770,717	1,444,498
Advances to employees	25,300	85,625
	<u>P5,544,679</u>	<u>P4,127,901</u>

The bulk of the balances of the residential and commercial dues receivables are subject of a case filed by Randall Hamilton Realty Corporation, et al. This is a petition filed by some lot-owners in Bel-Air Village on December 15, 2006 with the Housing and Land Use Regulatory Board (HLURB) to declare as null and void the extension of the BAVA deed restrictions approved at the general membership meeting on December 12, 2006. In a Resolution dated January 30, 2007, the HLURB Arbiter issued a writ of preliminary injunction restraining BAVA from implementing the BAVA deed restrictions as against the petitioners while the case is pending. BAVA appealed the Resolution to the HLURB Board of Commissioners on February 19, 2007. In a Decision dated January 21, 2008, the HLURB Board granted BAVA's appeal, thereby lifting the injunction, and ordered that the records of the case can be remanded to the Arbiter for trial on the merits. The petitioners moved for the reconsideration of the order lifting the injunction. The HLURB Board partially reversed its decision and enjoined both parties from any action arising from their respective positions on the status of the December 12, 2006 BAVA meeting and the resolutions adopted therein, as well as the extension/ expiration of the deed restrictions, while the main case is pending.

In September 2009, BAVA and about 85% of the petitioners (about 39 lot-owners) entered into a Compromise Agreement, thereby terminating the proceedings as between/among them. The HLURB Arbiter approved the Compromise Agreement in a Partial Judgment Upon Compromise dated February 5, 2010. The case remains pending with respect to the remaining petitioners.

**NOTE 5 - PROPERTY AND EQUIPMENT**

The details pertinent to this account are presented below.

	Community Center	Park Improvements and Playground Equipment	Perimeter Walls and Steel Gates	Security Building and Equipment	Furniture, Fixtures and Equipment	Water Cistern	Computer Software	Small Tools and Other Equipment	Total
<b>Cost</b>									
At January 1, 2009	P27,304,051	P5,123,035	P761,275	P550,482	P3,157,459	P343,120	P202,400	P576,232	P38,018,054
Additions		86,092	-	-	98,450	-	-	12,355	196,897
Adjustments	(3,319,430)	-	-	-	-	-	-	-	(3,319,430)
Disposals/write-off	-	-	(96,000)	-	(701,081)	-	-	-	(797,081)
At December 31, 2009	23,984,621	5,209,127	665,275	550,482	2,554,828	343,120	202,400	588,587	34,098,440
<b>Accumulated depreciation</b>									
At January 1, 2009	10,094,576	4,307,999	729,839	525,687	2,791,573	343,119	191,657	553,446	19,537,896
Provisions	1,088,392	451,804	1,509	8,300	107,945	-	10,742	15,800	1,684,492
Adjustments	(1,133,779)	-	-	-	-	-	-	-	(1,133,779)
Disposals/Write-offs	-	-	(95,999)	-	(701,081)	-	-	-	(797,080)
At December 31, 2009	10,049,189	4,759,803	635,349	533,987	2,198,437	343,119	202,399	569,246	19,291,529
<b>Net Book Value</b>									
December 31, 2009	P13,935,432	P449,324	P29,926	P16,495	P356,391	P1	P1	P19,341	P14,806,911
Net Book Value									
December 31, 2008	P17,209,475	P815,036	P31,436	P24,795	P365,886	P1	P10,743	P22,786	P18,480,158

The Association recognized depreciation on property and equipment in the amount of P 1,684,492 in 2009 and P2,037,984 in 2008.

In relation to the Memorandum of Agreement as disclosed in Note 11, the Association demolished a portion of the Community Center in 2009 to give way to the construction of the Barangay Hall. The Association derecognized said property in the amount of P2,185,651, as shown in the statements of revenues and expenses.

Management has also reviewed the carrying values of property and equipment as of December 31, 2009 for any impairment. Based on the results of its evaluation, there were no indications that these assets are impaired.

**NOTE 6 - OTHER ASSETS**

The breakdown of this account is as follows:

	2009	2008
Investment in PLDT shares of stock, at cost	P14,500	P14,500
Internet website, net of annual amortization	19,737	39,473
Miscellaneous deposits	177,017	172,017
	P211,254	P225,990

**NOTE 7 - REFUNDABLE DEPOSITS**

This account pertains to non-interest bearing surety deposits from members for construction, excavation, violation, parking and others, refundable upon satisfaction of certain conditions.

**NOTE 8 - RESERVE FOR GENERAL CONTINGENCIES**

This reserve refers to the accumulated balance of the unused allocations for general contingencies, computed at 10% of the Association's yearly net revenues.

This shall answer for all possible legal expenses or losses that might arise from the cases filed against or will be filed by the Association before the court or the HLURB in relation to its deed restrictions, as well as all other contingencies and expenses which the Association may have to pay or assume and which may arise in the future as a result of its operations, whether or not related to deed restrictions.

On February 28, 2008, a resolution was passed by the Board of Governors for the discontinuance of the 10% annual allocations for general contingency fund, which was approved and ratified by the members on June 28, 2008.

On May 26, 2009, the Board of Governors earmarked against this amount P3 Million for the rehabilitation of the Paseo de Roxas and Orbit gates, of which P840,000 was already disbursed as of December 31, 2009.

**NOTE 9 - SEPARATION PAY**

This pertains to the retirement pay given by the Association to the employees who availed of the early retirement program in 2009, which is in addition to the retirement benefits paid out of the retirement fund.

## NOTE 10 - RETIREMENT BENEFIT COST

The Association adopted a funded, non-contributory retirement plan known as "Bel-Air Village Association, Inc. Employees' Retirement Plan" made effective January 1, 1976, providing for retirement, death, disability, and separation benefits to all regular and full-time employees. The Association has the right to amend, reduce, suspend or discontinue its contribution at any time without the consent of the participants or their beneficiaries, except that no amendments shall deprive any participants or his beneficiaries of any accrued or vested benefits derived from contributions previously made and no amendment shall permit the return or transfer to the Association of any money or shall change the purpose of the plan.

The plan has qualified as a reasonable retirement plan within the contemplation of Republic Act No. 4917 and, as such, it shall be entitled to all tax benefits and/or privileges provided under the said Act.

As of December 31, 2009, the principal balance of the retirement fund under the trusteeship or management of China Banking Corporation stands at P2,863,500 (P5,703,173 in 2008).

The principal actuarial assumptions used to determine pension benefits are as follows:

	<u>2009</u>	<u>2008</u>
Discount rate	9.58%	9.79%
Expected rate of return	5.00%	6.84%
Salary increase rate	5.00%	5.00%

The actuarial valuation report by Institutional Synergy, Inc. dated March 26, 2010, which was based on PAS 19, resulted to a recognition of accrued retirement liability amounting to P178,991 and P60,591 as of December 31, 2009 and 2008, respectively, as shown in the statements of financial position.

Retirement benefits charged to operations amounted to P164,400 in 2009 and P344,709 in 2008, as shown in the statements of revenues and expenses.

Changes in the present value of the obligation and in the fair value of the plan assets for the years ended December 31, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Present value of obligation, January 1	P4,761,346	P5,572,994
Interest cost	466,100	428,563
Current service cost	113,800	284,844
Benefits paid	(3,055,300)	-
Actuarial loss/(gain) due to:		
Experience adjustments	(818,146)	(1,525,055)
Change in assumptions	22,400	-
	<u>P1,490,200</u>	<u>P4,761,346</u>
Present value of obligation, December 31		
Fair value of plan assets, January 1	P5,703,173	P5,390,326
Expected return on plan assets	390,100	368,698
Contributions	46,000	-
Benefits paid	(3,055,300)	-
Actuarial loss on plan assets	(220,473)	(55,851)
	<u>P2,863,500</u>	<u>P5,703,173</u>
Fair value of plan assets, December 31		

The computation of liability (asset) recognized in the statement of financial position as of December 31, 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>
Present value of the obligation	P1,490,200	P4,761,346
Fair value of plan assets	<u>(2,863,500)</u>	<u>(5,703,173)</u>
Unfunded obligation	(1,373,300)	(941,827)
Unrecognized actuarial losses	1,552,291	1,002,418
Unrecognized asset due to limit	-	-
	<u>P178,991</u>	<u>P60,591</u>
Liability (asset) recognized in balance sheet		

Details of the retirement benefits cost recognized in the statements of revenues and expenses for the years ended December 31, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Current service cost	P113,800	P284,844
Interest cost	466,100	428,563
Expected return on plan assets	(390,100)	(368,698)
Actuarial loss recognized in the plan year	(25,400)	-
	<u>P164,400</u>	<u>P344,709</u>

#### **NOTE 11 - OTHER MATTERS**

On August 27, 2009, the Association entered into a Memorandum of Agreement with the Barangay Bel-Air to construct a Barangay Hall within the Bel-Air Community Center Complex, owned by the Association. The Association grants usufructuary rights over the area covered by the Barangay Hall for the period of 25 years commencing on September 22, 2009 and ending on September 21, 2034, subject for renewal for another 25 years upon mutual agreement by the parties. In consideration, Barangay Bel-Air shall pay all monthly electricity, water and other utility expenses of the Community Center Complex.