

## **TRIATHLON ASSOCIATION OF THE PHILIPPINES (TRAP), INC.**

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### **NOTES TO THE FINANCIAL STATEMENTS**

*As of and for the years ended December 31, 2022 and 2021*

*(All Amounts in Philippine Peso)*

#### **1. COMPANY INFORMATION**

TRIATHLON ASSOCIATION OF THE PHILIPPINES (TRAP), INC. is a domestic corporation duly registered with the SECURITIES AND EXCHANGE COMMISSION on December 12, 2011 under Registration Certificate No. CN201121638.

The registered office address and place of business is located at Room 405-406 Building Bravo, Philippine Sports Commission, Meralco Ave., Oranbo, Pasig City.

The principal business activity of the company is to engage in the promotion of sports activities whether domestically or internationally.

#### **Approval of the financial statements**

These financial statements were approved for issuance by the Board of Trustees on March 29, 2023.

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

#### **Basis of Preparation**

The financial statements of the business have been prepared under a historical cost convention. The financial statements are presented in Philippine pesos, which is the business functional currency. All amounts are rounded to the nearest Philippine peso, except when otherwise indicated.

The accompanying financial statements have been prepared on a going concern basis, which contemplate the realization of assets and settlement of liabilities in the normal course of business.

#### **Statement of Compliance**

The accompanying financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) for Small and Medium Sized Entities (SMEs).

#### **Financial Asset**

Financial assets are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial asset include cash in bank and other current assets.

#### **Cash**

Cash are stated at face value. Cash includes cash in bank

#### **Property and Equipment**

Property and equipment whose fair value cannot be reliably measured without undue cost or effort. These are measured initially at their cost. Property and equipment, after initial recognition are stated at cost less any accumulated depreciation and any accumulated impairment losses.

The initial cost of property and equipment, comprises its purchase price and any cost 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. These can include the costs of initial delivery and handling, installation and assembly, and testing of functionality.

The Company adds to the carrying amount of the property and equipment the cost of replacing parts and such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation and amortization of an item of property and equipment begins when it becomes available for use, i.e., when it is in location and condition necessary for it to be capable of operating in the manner intended by management. The following annual rates will be used for the depreciation of property and equipment

Office Equipments	-	20%
Sports Equipments	-	10%-20%

If there is an indication that there has been a significant change since the last annual reporting date in the pattern by which an entity expects to consume an asset's future economic benefits, the entity shall review its present depreciation method and, if current expectations differ, change the depreciation method to reflect the new pattern. The entity shall account for the change as a change in an accounting estimate.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of an item of property and equipment is recognized in profit or loss when the item is derecognized such gain is not recognized as revenue.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is credited or charged to current operations. Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset.

### **Financial Liabilities**

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities consist of trade and other payables.

### **Trade and Other Payables**

Trade payables are liabilities to pay for goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier.

Trade and other payables are initially recorded at transaction price and subsequently measured at their amortized cost using effective interest method.

### **Impairment of Financial Assets**

The Business assesses at each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If there is objective evidence that an impairment loss has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to the statement of comprehensive income. Interest income continues to be recognized based on the original effective interest rate of the asset. Loans, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as industry, past-due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company to reduce any differences between loss estimates and actual loss experience.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, that asset is included in a group of financial assets with similar credit risk characteristics and that the group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the statements of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

### **Derecognition of Financial Assets and Financial Liabilities**

#### *Financial Assets*

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

- the rights to receive cash flows from the asset have expired.

- the Company retains the right to receive cash flows from the 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 Company has transferred its rights to receive cash flows from the 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.

#### *Financial Liabilities*

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Where 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 statement of comprehensive income.

#### **Offsetting Financial Instruments**

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

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

The Company assesses as at reporting date whether there is an indication that property and equipment and investment property and intangible asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required. The Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use or its net selling price and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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 assessment of the time value of money and the risks specific to the asset. Impairment losses are recognized in the statements of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is an indication that previously recognized impairment losses may no longer exist or may have been decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statements of income unless the asset is carried at revaluated amount, in which case the reversal is treated as revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

#### **Provisions and Contingencies**

Provisions are recognized when the Company has a present obligation, either legal or constructive, as a result of a past event, it is probable that an overflow of resources embodying economic benefits will be required to settle the obligation, and the amount of the obligation can be estimated reliably. When the

Company expects reimbursement of some or all of the expenditure required to settle a provision, the entity recognizes a separate asset for the reimbursement only when it is virtually certain that reimbursement will be received when the obligation is settled.

The amount of the provision recognized is the best estimated of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingent liabilities and assets are not recognized because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent liabilities, of any, are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are disclosed only when an inflow of economic benefits is probable.

#### **Cash Receipts**

Cash receipts is the gross inflow of economic benefit during the period arising in the course of the ordinary activities of an entity when those inflows result in increase in equity other than increases relating to contribution from equity participants. Revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any trade discounts, prompt settlement discounts and volume rebates allowed by the entity.

#### **Cash Disbursements**

Sporting expenses are costs attributable to the promotion of sporting activities. Administrative expenses are costs attributable to administrative activities of the Company.

#### **Income Taxes**

The company is a non-stock, non-profit entity, and is not subject to income tax.

### **3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION**

The preparation of the Company's financial statements in conformity with Financial Reporting Framework (in reference to the Philippine Financial Reporting Standards (PFRS) for Small and Medium Sized Entities (SMEs), requires management to make estimates and assumptions that affect the amounts reported in the Company's financial statements and accompanying notes. The estimates and assumptions used in the Company's financial statements are based upon management's evaluation of relevant fact and circumstances as of the date of the Company's financial statements. Actual results could differ from such estimates.

#### **Judgments**

The preparation of the Company's financial statements in conformity with Financial Reporting Framework in reference to the Philippine Financial Reporting Standards (PFRS) for Small and Medium Sized Entities (SMEs), requires management to make estimates and assumptions that affect the amounts reported in the Company's financial statements and accompanying notes. The estimates and assumptions used in the Company's financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the company financial statements. Actual results could differ from such estimates, judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### **Determining Functional Currency**

Based in economic substance of underlying circumstances relevant to the Company, the functional currency has been determined to be the Philippine peso, which is the currency of the primary economic environment in which the business operates and is the currency that mainly influences the prices of the products and services and the cost of providing such products and services.

### **Estimates and Assumptions**

In the application of the Company accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following represents a summary of the significant estimates and judgments and related impact and associated risks in the Company's financial statements.

### **Estimation of useful lives of property and equipment**

If there is an indication that there has been a significant change since the last annual reporting date in the pattern by which an entity expects to consume an asset's future economic benefits, the entity shall review its present depreciation method and, if current expectations differ, change the depreciation method to reflect the new pattern. The entity shall account for the change as a change in accounting estimate.

Factors such as a change in how an asset is used, significant unexpected wear and tear, technological advancement, and changes in market prices may indicate that the residual value or useful life of an asset has changed since the most recent annual reporting date. If such indicators are present, an entity shall review its previous estimates and, if current expectations differ, amend the residual value, depreciation method or useful life. The entity shall account for the change in residual value, depreciation method or useful life as a change in an accounting estimate.

### **Evaluation of Asset Impairment**

The Company assesses the impairment of assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Business considers important which could trigger an impairment review include significant changes in asset usage, significant decline in assets' market value and obsolescence or physical damage of an asset. If such indications are present and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The recoverable amount is the higher of the asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash generating unit to which the asset belongs.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Company is required to make estimates and assumptions that may affect property and equipment.

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

The Company assesses the value of property and equipment which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, and require the Company to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Company to conclude that property and equipment and other long-lived assets are impaired. Any resulting impairment loss could have a material adverse impact on the Company financial condition and results of operations.

The preparation of the estimated future cash flows involves significant judgment and estimations. While the Company believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Company assessment of recoverable values and may lead to future additional impairment charges.

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#### **4. CASH**

This account consists of the following:

	<b>2022</b>	2021
Cash in Bank	<b>1,491,640</b>	128,803
<b>Total</b>	<b>1,491,640</b>	128,803

Cash on hand are undeposited collections as of the end of the period which will be deposited on the next banking day. Cash in bank represent current account which do not earn interest. The company reconciles the books and bank balances regularly as part of its cash monitoring and internal control measures. Cash in banks are restricted and immediately available for use in current operations.

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#### **5. RECEIVABLE FROM PSC**

The Company incurred expenses used for sports promotion in the year 2022. Said expenses were reimbursed by the Philippine Sports Commission (PSC) in the year 2023.

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#### **6. PROPERTY AND EQUIPMENT**

This account consists of the following:

	Office Furniture and Equipments	Sports Equipments	Total
<b>Costs:</b>			
December 31, 2021	174,629	5,276,572	5,451,201
Additions	0	0	0
December 31, 2022	174,629	5,276,572	5,451,201
<b>Accumulated Depreciation</b>			
December 31, 2021	173,629	1,846,781	1,457,826
Provisions	0	527,657	561,583
December 31, 2022	173,629	2,374,438	2,020,410
<b>Net Carrying Values</b>			
December 31, 2021	1,000	3,429,791	3,430,791
December 31, 2022	1,000	2,902,134	2,903,134

Property and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses.

Impairment tests performed indicated that there are no property and equipment found impaired.

There are no property and equipment used as collateral to any indebtedness. The Company has not entered into any contractual commitments for the future acquisition of property and equipment.

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## 7. ACCOUNTS PAYABLE

This account consists of the following:

	<b>2022</b>	2021
Advances from Members	<b>1,220,300</b>	0

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## 8. CASH RECEIPTS

This account consists of financial assistance (FA) granted by the Philippine Sports Commission (PSC) and some other sports enthusiasts to the company. For the PSC grants, amount is as per approved budget and is liquidated accordingly. Any disallowance in the expense will result in the excess financial assistance and is returned to the PSC.

	<b>2022</b>	2021
Financial Assistance	<b>9,852,039</b>	4,281,578

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## 9. SPORTS PROMOTION EXPENSES

This account consists of the following:

	<b>2022</b>	2021
Ads and Promo	<b>0</b>	26,200
Allowances-athletes, coaches, technical team, events personnel	<b>386,688</b>	537,395
Depreciation	<b>527,657</b>	527,657
Entry Fees	<b>0</b>	62,050
Meals and subsistence	<b>86,879</b>	0
Rental – venue and equipments	<b>0</b>	84,000
Medical	<b>95,000</b>	0
Membership	<b>0</b>	0
Supplies and materials	<b>621,367</b>	519,270
Trainings	<b>3,300,328</b>	676,395
Travelling – airfare, accommodation, local transport	<b>3,505,395</b>	588,335
<b>Total</b>	<b>8,523,315</b>	3,021,302

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## 10. GENERAL AND ADMINISTRATIVE EXPENSES

This account consists of the following:

	<b>2022</b>	2021
Depreciation	<b>0</b>	33,926
Donations	<b>0</b>	25,025
Meals and Subsistence	<b>32,513</b>	25,549
Medical and Health Supplies	<b>1,300</b>	12,000
Office Supplies	<b>20,015</b>	21,696
Office Maintenance	<b>17,248</b>	1,000
Outside Services	<b>0</b>	25,025
Staff Allowances	<b>542,500</b>	461,019
Taxes	<b>11,747</b>	30,204
Telephone and Communications	<b>1,572</b>	15,587
Transportation	<b>26,805</b>	46,969
<b>Total</b>	<b>675,025</b>	698,000

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**11. RELATED PARTY TRANSACTIONS**

A party is related to an entity if:

- (a) Directly, or indirectly through one or more intermediaries, the party: controls, is controlled by, or is under common control with, the entity (this include parents, subsidiaries)
- (b) The party is a joint venture in which the entity is a venture;
- (c) The party is a member of the key management personnel of the entity or its parent;
- (d) The party is a close member of the family of any individual referred to in (a) or (d);
- (e) The party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides;
- (f) The party is a post-employed benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

The company's related parties include its proprietor and other related parties.

In 2022 and 2021, the company has no transaction with the related parties.

**Key Management Personnel**

The key management personnel of the Company and post-employment benefit plans for the benefit of the Company's employees are also considered to be related parties. The Company has not provided key management compensations and other benefits for the years 2022 and 2021.

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**12. MANAGEMENT DECLARATION OF TAXES AND OTHER RELATED INFORMATION**

In compliance with Revenue Regulation 15-2010 as required by the BIR, presented below are the information on taxes and licenses:

1. Taxes and licenses

Annual registration fee, BIR	500
Business permits and other licenses	11,247
Total	11,747

2. No withholding tax was remitted under BIR forms 1601C and 1601E for the year 2022

3. Tax assessments and other cases

There were no pending tax assessments, litigation involving the company

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PHILIPPINES (TRAP), INC.

Audited Financial Statements  
December 31, 2022 & 2021