

ASOCIACION SOCIAL DE LA TERCERA EDAD DEL VALL DEL POP
2020 END OF THE YEAR FINANCIAL ACCOUNTS REPORT

1. Scope of the work

The present report has been prepared based on the financial information available which has been provided to us by the Association's representatives.

Our work is limited here to verify whether the financial statements meet the minimum legal requirements for this type of non-profit organization as well as showing the faithful economic situation of the Association. We will also inform about the taxation and other obligations the Association may have.

2. Information available

The financial information is prepared following a simple entry accounting system where basically the liquid movements are registered. This method simplifies the way the accounts are prepared as well as their understanding by any potential user of the economic information.

An analytical accounting system has been also used for a better description of the resources, activities and fund allocation within the Association.

Among the main documents provided we can find the Budget for the Year 2020 and the Annual Account report for 2020 from which we can form a Profit and Loss account with the operative result for the Association's financial year. Additionally, we can find a book where the Association registers all the different events detailing the member's contributions, expenses and final balance for each of these events. Details of the bank account movements are also found among the Association's paperwork. All this liquid movements are all well supported with the respective invoices, receipts and internal documents.

3. Our view and recommendations.

3.1. Tax considerations.

3.1.1. Corporate Tax

The U3A VALL DE POP, or ASOCIACIÓN SOCIAL DE LA TERCERA EDAD DEL VALL DEL POP as it was formally registered, is a Non Profitable Entity which doesn't meet all the requirements of article 3 of the Law 49/2002 of 23rd of December

which rules the especial tax regime for Non Profitable Entities (“*Regimen Especial de Entidades sin Fines Lucrativos*”).

The Association, as any other entity, is subject to Corporate Tax under the Spanish law 27/2014 of 27 of November 2014 (Spanish Corporate Tax Law). However, same as any other association which hasn't been formally declared as entity of public use or utility falls within the special category of entities partially exempt of corporate tax (articles 109 to 111 of the Spanish Corporate Tax Law). This means that there will be some sources of income which will be exempt of corporate tax and some others which will not. The exempt sources are those related to the activities listed in the bylaws of the Association as the social goals or objectives and are not considered “economic activities” as defined in the Spanish tax legislation.

From the information available we can see that the revenue comes entirely from corporate tax-exempt sources. The main source of income comes from the annual member's contributions being the total for the year 4.826 €. The Association arranges various events during the year which are all financed by the participating members and they are the final beneficiaries of them so we cannot consider this as an “economic activity”.

The Association is not obliged to present an annual corporate tax declaration as it meets the requirements of article 124.3 of our Spanish Corporate Tax Law.

3.1.2. VAT

From the information provided we can clearly see that the main beneficiaries of the Association's activities are its members who pay no compensation to the Association for these services (a part of course of the contributions to cover the expenses). As we have already said before, among the common activities carried out by the Association we don't see any “economic activity”. Consequently, being all these activities exempt of VAT according to article 20, section 12 of VAT Law 37/1992 of 28 of December we can confirm that the Association is not a subject to any VAT obligation.

3.1.3. OTHER TAX OBLIGATIONS

This Association is not subject to any other local or regional tax.

The Association as any other entity is subject to some informative obligations which tend to verify that the different economic operators comply with their tax obligations. In relation to this, the main obligation for the Association will be to inform in February each year about all the transactions exceeding 3.005,06 € with the different suppliers or service providers for the previous year (“modelo 347”).

The Association will also have to inform the Spanish Tax office about any changes in its committee. This will be done through the presentation of the respective Form 036 within 30 days of its approval.

Finally, the Association same as any other registered entity is obliged to register in the special online notification system of the Spanish Tax Office. An informatic tool

called “digital certificate” or “digital signature” for the Association must be obtained and kept up to date for this purpose as well as for all communications with any public administration.

3.2 Accounting and other formal obligations.

The financial statements as they have been prepared by the Association’s representatives are a valid internal instrument to provide the necessary information to attend the yearly associates General Meeting as they detail the result of the different activities and programs in place, the origin of the funds and its allocation. We consider the format presented will help better the understanding of the situation and performance of the Association by the main users of the information, the associates.

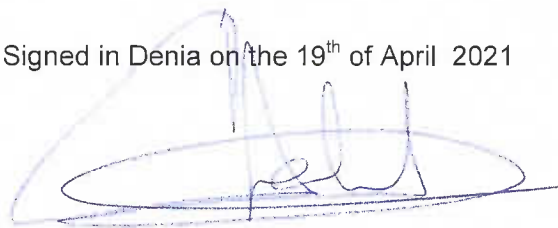
As there is no obligation for auditing or reporting the Association’s accounts to any supervising public authority, considering its revenue, we don’t find necessary using a double entry accounting system according to legally approved accounting standards and following the Simplified Accounting Plan in place for this type of associations.

However, it is very important here to remark that as some source of income may not be exempt of corporate tax (interest, dividends, capital gains) the Association’s accounts will have to be always prepared so that they can show clearly where the income comes from in case of a request of information from the Spanish Tax Office.

The Association will have an updated registry of members together with a minute book for the general meetings dully legalized.

To conclude we will just remind you that the Association will have to inform the Registry for Associations in Alicante (“*Registro Territorial de Asociaciones*”) about any changes in its committee and keep its records always updated there.

Signed in Denia on the 19th of April 2021



Francisco L. Gilabert Mengual.

Partner-Economist