CULTURAL CENTER OF THE PHILIPPINES
NOTES TO FINANCIAL STATEMENTS
(All amounts in Philippine Pesos unless otherwise stated)

1. GENERAL INFORMATION/ENTITY PROFILE

The financial statement of the Cultural Center of the Philippines was authorized for issue on 2019 as shown in the Statement of Management Responsibility for Financial Statements signed by Arsenio J. Lizaso, President.

The Cultural Center of the Philippines (CCP) is located at the CCP Complex, Roxas Boulevard, Pasay City, with a total land area of 608,569 square meters. It was created in 1966 through Executive Order No. 30 and formally inaugurated on September 8, 1969, as a trust for the benefit of the people for the purpose of preserving and promoting Philippine culture in all its varied aspects. As a government owned and/or controlled corporation, CCP through the years, has evolved into a premier Philippine institution for culture and the arts.

The CCP initially served as the center for performing arts showcasing the best in Filipino creativity and artistry notably in theater, music and dance. It expanded its reach in 1987 by becoming the coordinating center for artistic and cultural activities and continued to function as such for the next ten years.

Upon the establishment of the National Commission for Culture and the Arts (NCCA), CCP assumed a new role and became the center for the performing arts which seeks to catalyze cultural and artistic development by encouraging, nurturing, conserving, showcasing and disseminating Filipino creativity and artistic experience as well as continue to provide world-class programs, services and facilities. It has also become the prime mover in the establishment of regional arts and culture organizations.

The CCP nurtures and promotes artistic excellence, Filipino aesthetics and identity, and cultural values towards a humanistic global society.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements of the Center have been prepared in compliance with the Philippine Public Sector Accounting Standards (PPSAS) prescribed by the Commission on Audit through COA Resolution No. 2014-003 dated January 24, 2014.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The Statement of Cash Flow is prepared using the direct method.

The financial statements are presented in Philippine Peso, the CCP's functional and presentation currency and amounts are rounded off to the nearest peso, unless otherwise stated.

The preparation of financial statements in compliance with the adopted PPSASs requires the use of certain accounting estimates. It also requires the entity to exercise judgment in applying the entity's accounting policies.

3. ADOPTION OF PHILIPPINE PUBLIC SECTOR ACCOUNTING STANDARDS (PPSASs)

COA Resolution No. 2014-003 dated January 24, 2014 prescribed the adoption of 25 Philippine Public Sector Accounting Standards (PPSASs) effective January 1, 2014 by non-government business enterprises (Non-GBEs), as amended by COA Resolution No. 2015-040 dated December 01, 2015, on the effectivity of the adoption of the PPSASs from May 22, 2015 to January 1, 2016. These PPSASs were based on the International Public Sector Accounting Standards (IPSASs) which were published in the 2012 Handbook of International Public Sector Accounting Pronouncements (HIPSAP) of the International Public Sector Accounting Standards Board. COA Resolution No. 2017-006 dated April 26, 2017 prescribed the adoption of additional six PPSASs and updates on the PPSASs prescribed in COA Resolution No. 2014-003 in accordance with the 2016 Edition of the HIPSAP.

3.1 Effective in 2017 that are Relevant to the Company

Below is a list of PPSASs issued as at December 31, 2017 that are adopted for the first time by the CCP in preparing the financial statements for the year ended December 31, 2017, the comparative information presented in these financial statements for the year ended December 31, 2016 and in the preparation of an opening PPSAS statement of financial position at January 1, 2016 (the CCP's date of transition).

- PPSAS 1, Presentation of Financial Statements *(effective for periods beginning January 1, 2014)*

  This Standard sets overall considerations for the presentation of financial statements, guidance for their structure, and minimum requirements for the content of financial statements prepared under the accrual basis of accounting.

  There is no material difference in recognition and measurement with the previous standard upon application of this PPSAS.

- PPSAS 2, Cash Flows Statements *(effective for periods beginning January 1, 2014)*

  This Standard requires the provision of information about the historical changes in cash and cash equivalents of an entity by means of a cash flow statement that classifies cash flows during the period from operating, investing, and financing activities.

  There is no material difference in recognition and measurement with the previous standard upon application of this PPSAS.

- PPSAS 3, Accounting Policies, Changes in Accounting Estimate and Errors *(effective for periods beginning January 1, 2014)*

This Standard prescribes the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates, and corrections of errors.

In accordance with COA Circular No. 2016-006 dated December 29, 2016, the P15,000 capitalization threshold for property, plant and equipment (PPE) was applied. A total of P2,360,245 were reclassified and booked as adjustment in the prior year financial statements.

- PPSAS 5, Borrowing Costs *(effective for periods beginning January 1, 2014)*

  This Standard prescribes the accounting treatment for borrowing costs. This Standard generally requires the immediate expensing of borrowing costs. However, the Standard permits, as an allowed alternative treatment, the capitalization of borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset.

  There is no material difference in recognition and measurement with the previous standard upon application of this PPSAS.

- PPSAS 9, Revenue from Exchange Transactions *(effective for periods beginning January 1, 2014)*

  This Standard prescribes the standards for identification, measurement and disclosure of revenues of public sector entities derived from exchange transactions. An exchange is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value to the other party in exchange. These transactions are rendering of services, sale of goods and use by other entity assets yielding interest, royalties, and dividends.

  There is no material difference in recognition and measurement with the previous standard upon application of this PPSAS.

- PPSAS 12, Inventories *(effective for periods beginning January 1, 2014)*

  This Standard sets out the accounting treatment for inventories. A primary issue in accounting for inventories is the amount of cost to be recognized as an asset and carried forward until the related revenues are recognized. This Standard provides guidance on the determination of cost and its subsequent recognition as an expense, including any write down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories.

- PPSAS 13, Leases *(effective for periods beginning January 1, 2014)*

  This Standard prescribes, for lessees and lessor, the appropriate policies and disclosures to apply in relation to finance and operating leases. It also prescribes specific identifications of transactions which are considered as lease agreement and those which are not. Also, it presents the two specific classifications of lease agreements and how they are presented in the financial statements.

There is no material difference in recognition and measurement with the previous standard upon application of this PPSAS.

- PPSAS 14, Events After the Reporting Date *(effective for periods beginning January 1, 2014)*

  This Standard prescribes the circumstances in which adjustments for events after the reporting period are required. It also prescribes the disclosure requirements regarding the date of authorization for issue and information received after the reporting period.

  It requires that an entity should not prepare its financial statements on going concern basis if events after the reporting date indicate that the going concern assumption is not appropriate.

  Upon assessment, CCP has no relevant event, which needs necessary adjustments and/or disclosure that occurred after the reporting date but before the issuance of this report.

- PPSAS 16, Investment Property *(effective for periods beginning January 1, 2014)*

  This Standard prescribes the accounting treatment for investment property and related disclosure requirements. Investment property shall be measured initially at cost except when it is acquired through a non-exchange transaction such as donation, or when it pertains to a property interest held under an operating lease. After initial recognition, the entity shall choose either fair value or cost model and shall apply that valuation policy to all its investment property. At any case, the fair value shall be determined either for measurement (if the entity uses the fair value model) or disclosure (if it uses the cost model).

- PPSAS 17, Property, Plant and Equipment *(effective for periods beginning January 1, 2014)*

  This Standard prescribes the standards on the recognition, measurement at recognition, measurement after recognition, depreciation, impairment, derecognition and disclosure requirements dealing with transactions and events affecting PPE of the Philippine public sector. The principal issues in accounting for PPE are (a) the recognition of the assets, (b) the determination of their carrying amounts, and (c) the depreciation charges and impairment losses to be recognized in relation to them.

  In accordance with COA Circular No. 2016-006 dated December 29, 2016, the P15,000 capitalization threshold for PPE was applied. Tangible items below the capitalization threshold of P15,000 were accounted as semi-expendable property (if not yet issued to end-user), expense accounts (if issued within the year), or accumulated surplus/(deficit) (if issued in prior years). A total of P2,360,245 were reclassified and booked as adjustments in the accumulated surplus/(deficit).

- PPSAS 19, Provisions, Contingent Liabilities and Contingent Assets *(effective for periods beginning January 1, 2014)*

This Standard defines provisions, contingent liabilities and contingent assets, and identifies the circumstances in which provisions should be recognized, how they should be measured, and the disclosures that should be made about them. It also requires that certain information be disclosed about contingent liabilities and contingent assets in the notes to the financial statements to enable users to understand their nature, timing and amount.

Upon assessment, CCP has no transaction transpired during the year in which provision, contingent liability or contingent asset should be recognized or disclosed.

- PPSAS 20, Related Party Disclosures *(effective for periods beginning January 1, 2014)*

  This Standard sets out the requirement of the disclosure of the existence of related party relationships where control exists, and the disclosure of information about transactions between the entity and its related parties in certain circumstances. This information is required for accountability purposes, and to facilitate a better understanding of the financial position and performance of the reporting entity. The principal issues in disclosing information about related parties are (a) identifying which parties control or significantly influence the reporting entity, and (b) determining what information should be disclosed about transactions with those parties.

  The CCP has provided additional disclosures on key management personnel and key management personnel compensation as required by this Standard.

- PPSAS 23, Revenue from Non-Exchange Transactions *(Taxes and Transfers) (effective for periods beginning January 1, 2014)*

  This Standard prescribes requirements for the financial reporting of revenue arising from non-exchange transactions, other than non-exchange transactions that give rise to an entity combination. This Standard deals with issues that need to be considered in recognizing and measuring revenue from non-exchange transactions, including the identification of contributions from owners.

  There is no material difference in recognition and measurement with the previous standard upon application of this PPSAS.

- PPSAS 24, Presentation of Budget Information in Financial Statements *(effective for periods beginning January 1, 2014)*

  This Standard prescribes a comparison of budget amounts and the actual amounts arising from execution of the budget to be included in the financial statements of entities. This Standard also requires disclosure of an explanation of the reasons for material differences between the budget and actual amounts.

  The Statement of Comparison of Budget and Actual Amount (SCBAA) and the disclosure of an explanation of the reasons for material differences between the budget and actual amounts were prepared in accordance with this Standard.

- PPSAS 28, Financial Instruments: Presentation *(effective for periods beginning January 1, 2014)*

  This Standard establishes principles for presenting financial instruments as liabilities or net assets/equity and for offsetting financial assets and financial liabilities. It applies to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments; the classification of related interest, dividends or similar distribution, losses and gains; and circumstances in which financial assets and financial liabilities should be offset.

  This Standard compliments the principles for recognizing and measuring financial assets and financial liabilities in PPSAS 29, "Financial Instruments: Recognition and Measurement", and for disclosing information about them in PPSAS 30, "Financial Instruments: Disclosures".

  There is no material difference in recognition and measurement with the previous standard upon application of this PPSAS.

- PPSAS 29, Financial Instruments: Recognition and Measurements *(effective for periods beginning January 1, 2014)*

  This Standard prescribes the accounting principles for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It complements the principles for presenting information about financial instruments in PPSAS 28 "Financial Instruments: Presentation" and for disclosing information about them in PPSAS 30, "Financial Instruments: Disclosures."

  The CCP's financial instruments were recognized, measured and classified in accordance with PPSAS 29.

- PPSAS 30, Financial Instruments: Disclosures *(effective for periods beginning January 1, 2014)*

  This Standard requires entities to provide disclosures in their financial statements that enable users to evaluate: (a) the significance of financial instruments for entity's financial position and financial performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risks.

  The principles in this Standard complement the principles for presenting and recognizing and measuring financial assets and financial liabilities in PPSAS 28, "Financial Instruments: Presentation" and PPSAS 29, "Financial Instruments: Recognition and Measurement".

- PPSAS 31, Intangible Assets *(effective for periods beginning January 1, 2014)*

This Standard prescribes the accounting treatment for intangible assets that are not dealt with specifically in another Standard. It prescribes the principle for its recognition and measurement as well as its disclosure requirements.

There is no material difference in recognition and measurement with the previous standard upon application of this PPSAS.

- PPSAS 33, First-time Adoption of Accrual Basis PPSASs *(effective for periods beginning January 1, 2017)*

  This Standard provides guidance to a first-time adopter that prepares and presents financial statements following the adoption of accrual basis PPSASs, in order to present high quality information:

  (a) That provides transparent reporting about a first-time adopter's transition to accrual basis PPSASs;

  (b) That provides a suitable starting point for accounting in accordance with accrual basis PPSASs irrespective of the basis of accounting the first-time adopter has used prior to the date of adoption; and

  (c) Where the benefits are expected to exceed the costs.

  The CCP did not adopt any of the transitional exemptions in PPSAS 33 that may impact fair presentation of the financial statements.

3.2 <u>Effective in 2017 that are Not Relevant to the Company</u>

The following Standards are mandatorily effective for annual periods beginning January 1, 2017 but are not relevant to the CCP's financial statements:

- PPSAS 4: The Effects of Changes in Foreign Exchange Rates
- PPSAS 6: Consolidated and Separate Financial Statements
- PPSAS 8: Interest in Joint Ventures
- PPSAS 21: Impairment of Non-Cash-Generating Assets
- PPSAS 26: Impairment of Cash-Generating Assets
- PPSAS 27: Agriculture
- PPSAS 32: Service Concession Arrangements: Grantor
- PPSAS 34: Separate Financial Statements
- PPSAS 35: Consolidated Financial Statements
- PPSAS 36: Investments in Associates and Joint Ventures
- PPSAS 37: Joint Ventures
- PPSAS 38: Disclosure of Interests in Other Entities

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of Accounting

The financial statements are prepared on an accrual basis in accordance with PPSAS.

4.2 Financial instruments

a. Financial assets

i.Initial recognition and measurement

Financial assets within the scope of PPSAS 29-Financial Instruments: Recognition and measurement are classified as financial assets at fair value through surplus or deficit, held to maturity investments, loans and receivables or available-for-sale financial assets as appropriate. The CCP determines the classification of its financial assets at initial recognition.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date i.e., the date that the CCP commits to purchase or sell the assets

The CCP's financial assets include: cash and cash equivalents; trade and other receivables; loans and other loans receivables; quoted and unquoted financial instruments; and derivative financial instruments.

ii. Subsequent measurement

The subsequent measurements of financial assets depend on their classification.

1. **Financial assets at fair value through surplus and deficit**

   Financial assets at fair value through surplus and deficit include financial assets held for trading and financial assets designated upon initial recognition at fair value through surplus or deficit. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

   Derivatives including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through surplus or deficit are carried in the Statement of Financial Position at fair value with changes in fair value recognized in surplus or deficit.

2. **Loans and receivables**

   Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

3. **Held-to- Maturity**

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the CCP has the positive intention and ability to hold it to maturity.

After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

iii. Derecognition

The CCP derecognizes a financial asset or where applicable, a part of a financial asset or part of CCP of similar financial assets when:

1. the contractual rights to the cash flows from the financial asset expired or waived; and
2. the CCP has transferred its contractual rights to receive the cash flows of the financial assets, or retains the contractual rights to receive the cash flows of the financial assets but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets the conditions set forth in PSAS 29- financial Instruments: Recognition and Measurement; and either the entity has:
   - transferred substantially all the risks and rewards of ownership of the financial asset; or
   - neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but has transferred the control of the asset

iv. Impairment of financial assets

The CCP assesses at each reporting date whether there is objective evidence that a financial asset or a 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 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 the following indicators:

I. The debtors or a group of debtors are experiencing significant financial difficulty

II. Default or delinquency in interest or principal payments
III. The probability that debtors will enter bankruptcy or other financial reorganization
IV. Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

v. Financial assets carried at amortized cost

For financial assets carried at amortized cost, the CCP first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the CCP determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them 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 there is objective evidence that an impairment loss has been incurred, the amount of the Joss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a Joan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in surplus or deficit. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or transferred to the [Name of Entity]. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance cost in surplus or deficit.

b. Financial Liabilities

i. Initial recognition and measurement

Financial liabilities within the scope of PPSAS 29 are classified as financial liabilities at fair value through surplus or deficit, or loans and borrowings, as appropriate. The entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

The CCP's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts.

ii. Subsequent measurement

The measurement of financial liabilities depends on their classification.

1. Financial liabilities at fair value through surplus or deficit

Financial liabilities at fair value through surplus or deficit include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through surplus or deficit.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PPSAS 29.

Gains or losses on liabilities held for trading are recognized in surplus or PPSAS deficit.

2. Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

iii. Derecognition

A financial liability is derecognized when the obligation under the liability expires or is discharged or cancelled.

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 surplus or deficit.

c. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position 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 assets and settle the liabilities simultaneously.

d. Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ice for short positions), without any deduction for transaction costs.

e. Derivative financial instruments

Initial recognition and subsequent measurement

The CCP uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its foreign currency risks and interest rate risks, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to surplus or deficit. The CCP does not apply hedge accounting.

4.3 Cash and Cash Equivalent

Cash and cash equivalents comprise cash on hand and cash in bank, deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts

4.4 Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory are received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the CCP.

4.5 Investment Properties

Investment property are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment property are measured using the cost model and are depreciated over their estimated useful life.

Investment property are derecognized either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit or service potential is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use.

The CCP uses the cost model for the measurement of investment property after initial recognition.

4.6 Property, Plant and Equipment

a. Recognition

An item is recognized as property, plant, and equipment (PPE) if it meets the characteristics and recognition criteria as a PPE.

The characteristics of PPE are as follows:

1. tangible items;
2. are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
3. are expected to be used during more than one reporting period.

An item of PPE is recognized as an asset if:

1. it is probable that future economic benefits or service potential associated with the item will flow to the entity;
2. the cost or fair value of the item can be measured reliably; and
3. the cost is at least P15,000.00

b. Measurement at recognition

An item recognized as property, plant, and equipment is measured at cost. A PPE acquired through non-exchange transaction is measured at its fair value as at the date of acquisition.

The cost of the PPE is the cash price equivalent or, for PPE acquired through non-exchange transaction, its cost is its fair value as at recognition date.

Cost includes the following:

I. Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
II. Expenditure that is directly attributable to the acquisition of the items; and
III. Initial estimate of the 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.

c. Measurement after recognition

After recognition, all PPE are stated at cost less accumulated depreciation and impairment losses.

When significant parts of PPE are required to be replaced at intervals, the CCP recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major repair/replacement is done, its cost is recognized in the carrying amount of the PPE as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are recognized as expense in surplus or deficit as incurred.

d. Depreciation

Each part of an item of PPE with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognized as expense unless it is included in the cost of another asset.

i. Initial recognition of depreciation

Depreciation of an asset begins when it is available for use such as hen it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

For simplicity and to avoid proportionate computation, the depreciation is for one month if the PPE is available for use on or before the 15th of the month. However, if the PPE is available for use after the 15th of the month, depreciation is for the succeeding month.

ii. Depreciation method

The straight line method of depreciation is adopted unless another method is more appropriate for Entity operation.

iii. Estimated useful life

The CCP uses the life span of PPE prescribed by COA in determining the specific estimated useful life for each asset based on its experience.

iv. Residual value

The CCP uses a residual value equivalent to at least five percent (5%) of the cost of the PPE.

e. Impairment

An asset's carrying amount is written down to its recoverable amount, or recoverable service amount, if the asset's carrying amount is greater than its estimated recoverable amount or recoverable service amount.

f. Derecognition

The CCP derecognizes items of PPE and/or any significant part of an asset upon disposal or when no future economic benefits or service potential is expected from its continuing use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the surplus or deficit when the asset is derecognized.

4.7 Leases

CCP as a lessor (Operating lease)

Leases in which the CCP does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term. Rent received from an operating lease is recognized as income on a straightline basis over the lease term. Contingent rents are recognized as revenue in the period in which they are earned.

The depreciation policies for PPE are applied to similar assets leased by the entity.

4.8 Changes in Accounting Policies and Estimates

The CCP recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

The CCP recognizes the effects of changes m accounting estimates prospectively through surplus or deficit.

The CCP corrects material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by:

a. Restating the comparative amounts for prior period(s) presented in which the error occurred; or
b. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented

4.9 Foreign Currency Transactions

Transactions in foreign currencies are initially recognized by applying the spot exchange rate between the functional currency and the foreign currency at the transaction date.

At each reporting date:

a. Foreign currency monetary items are translated using the closing rate;

b. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
c. Nonmonetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Exchange differences arising (a) on the settlement of monetary items, or (b) on translating monetary items at rates different from those at which they are translated on initial recognition during the period or in previous financial .statements, are recognized in surplus or deficit in the period in which they arise, except as those arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation.

4.10 Revenue from Non-exchange Transactions

a. Recognition and measurement of assets from non-exchange transactions

An inflow of resources from a non-exchange transaction, other than services in-kind, that meets the definition of an asset are recognized as an asset if the following criteria are met:

i. It is probable that the future economic benefits or service potential associated with the asset will flow to the entity; and

ii. The fair value of the asset can be measured reliably.

An asset acquired through a non-exchange transaction is initially measured at its fair value as at the date of acquisition.

b. Recognition of revenue from non-exchange transactions

An inflow of resources from a non-exchange transaction recognized as an asset is recognized as revenue, except to the extent that a liability is also recognized in respect of the same inflow.

As CCP satisfies a present obligation recognized as a liability in respect of an inflow of resources from a non-exchange transaction recognized as an asset, it reduces the carrying amount of the liability recognized and recognizes an amount of revenue equal to that reduction.

c. Measurement of revenue from non-exchange transactions

Revenue from non-exchange transactions is measured at the amount of the increase in net assets recognized by the entity, unless a corresponding liability is recognized.

d. Measurement of liabilities on initial recognition from non-exchange transactions

The amount recognized as a liability in a non-exchange transaction is the best estimate of the amount required to settle the present obligation at the reporting date.

e. Taxes

Taxes and the related fines and penalties are recognized when collected or when these are measurable and legally collectible. The related refunds, including those that are measurable and legally collectible, are deducted from the recognized tax revenue.

f. Fees and fines not related to taxes

The CCP recognizes revenue from fees and fines, except those related to taxes, when earned and the asset recognition criteria are met. Deferred income is recognized instead of revenue if there is a related condition attached that would give rise to a liability to repay the amount.

Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

g. Gifts and donations

The CCP recognizes assets and revenue from gifts and donations when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Goods in-kind are recognized as assets when the goods are received, or there is a binding arrangement to receive the goods. If goods in-kind are received without conditions attached, revenue is recognized immediately. If conditions are attached, a liability is recognized, which is reduced and revenue recognized as the conditions are satisfied.

On initial recognition, gifts and donations including goods in-kind are measured at their fair value as at the date of acquisition, which are ascertained by reference to an active market, or by appraisal. An appraisal of the value of an asset is normally undertaken by a member of the valuation profession who holds a recognized and relevant professional qualification. For many assets, the fair values are ascertained by reference to quoted prices in an active and liquid market.

h. Transfers

The CCP recognizes an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset, except those arising from services in-kind.

i. Services in-kind

Services in-kind are not recognized as asset and revenue considering the complexity of the determination of and recognition of asset and revenue and the eventual recognition of expenses.

j. Transfers from other government entities

Revenue from non-exchange transactions with other government entities and the related assets are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the CCP and can be measured reliably.

4.11 *Revenue from Exchange Transactions*.

a. Measurement of revenue ~

Revenue is measured at the fair value of the consideration received or receivable.

b. Rendering of services

The CCP recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labor hours incurred to date as a percentage of total estimated labor hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

c. Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the CCP.

d. Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

e. Dividends

Dividends or similar distributions are recognized when the CCP's right to receive payments is established.

f. Rental income

Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms and included in revenue.

g. Royalties

Royalties are recognized as they are earned in accordance with the substance of the relevant agreement.

4.12 *Budget Information*

The annual budget is prepared on a cash basis and is published in the government website.

A separate Statement of Comparison of Budget and Actual Amounts (SCBAA) is prepared since the budget and the financial statements are not prepared on comparable basis. The SCBAA is presented showing the original and final budget and the actual amounts on comparable basis to the budget. Explanatory comments are provided in the notes to the annual financial statements.

The annual budget figures included in the financial statements are for the controlling entity CCP. These budget figures are those approved by the governing body both at the beginning and during the year following a period of consultation with the public.

4.13 Impairment of Non-Financial Assets

a. Impairment of cash-generating assets

At each reporting date, the CCP assesses whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the CCP estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset or the cash-generating unit 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 discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the CCP estimates the asset's or cash-generating unit's recoverable amount.

A previously recognized impairment Joss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in surplus or deficits'

b. Impairment of non-cash-generating assets

The CCP assesses at each reporting date whether there is an indication that a non-cash-generating asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the CCP estimates the asset's recoverable service amount. An asset's recoverable service amount is the higher of the non-cash-generating asset's fair value less costs to sell and its value in use.

Where the carrying amount of an asset exceeds its recoverable service amount, the asset is considered impaired and is written down to its recoverable service amount. The CCP classifies assets as cash-generating assets when those assets are held with the primary objective generating a commercial return. Therefore, non-cash-generating assets would be those assets from which the CCP does not intend (as its primary objective) to realize a commercial return.

4.14 Related Parties

The CCP regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the CCP, or vice versa. Members of key management are regarded as related parties

4.15 Service Concession Arrangements

The CCP analyzes all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the CCP recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price.

In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise - any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the CCP also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

4.16 Borrowing Costs

For loans borrowed directly by CCP, the allowed alternative treatment is used.

4.17 Employee Benefits

The employees of CCP are members of the Government Service Insurance System (GSIS), which provides life and retirement insurance coverage.

The CCP recognizes the undiscounted amount of short term employee benefits, like salaries, wages, bonuses, allowance, etc., as expense unless capitalized, and as a liability after deducting the amount paid.

4.18 Measurement Uncertainty

The preparation of financial statements in conformity with PPSAS requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the [consolidated] financial statements and the reported amounts of the revenue and expenses during the period. Items requiring the use of significant estimates include [enter significant estimates here, e.g. the useful life of a capital asset, estimated employee benefits, rates for amortization, impairment of assets, liability for contaminated sites, etc.].

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

5. PRIOR PERIOD ADJUSTMENTS

5.1 *Due to Change in Accounting Policy*

In accordance with COA Circular No. 2016-006 dated December 29, 2016, the P15,000 capitalization threshold for PPE was applied. Tangible items below the capitalization threshold of P15,000, which were issued to end-users in prior years, for a total of P2,360,245, were reclassified and booked as adjustment in the accumulated surplus/(deficit). All PPE accounts and their corresponding accumulated depreciation were affected by the change except for Land and Other Land Improvements, Office Buildings and Transportation Equipment accounts which do not have item below the capitalization threshold.

5.2 *Due to Prior Period Errors*

Prior period errors include over-setup of receivables, restoration of cash due stale checks, recognition of miscellaneous income from unutilized fund of certain projects, writing off of other payables (dormant), over/under setup of payables due to variance in actual payment of expenses and other correction of errors in the financial statements that were reported for a prior period (see Note 33).

6. EXPLANATION OF TRANSITION TO PPSASs

As stated in Note 2, these are the CCP's first financial statements prepared in accordance with PPSASs.

The accounting policies set out in Note 4 have been applied in preparing the financial statements for the year ended December 31, 2018, the comparative information presented in these financial statements for the year ended December 31, 2017 and in the preparation of an opening PPSAS statement of financial position at January 1, 2017 (CCP's date of transition).

In preparing its opening statement of financial position, the CCP has adjusted amounts reported previously in financial statements prepared in accordance with previous Generally Accepted Accounting Principles (GAAP). An explanation of how the transition from previous GAAP to PPSASs has affected the CCP's financial position, financial performance and cash flows is set out in the following tables:

Reconciliation of Net Assets/Equity

At January 1, 2017

		Effect of transition to PPSASs			
	Previous generally accepted accounting principles	Reclassification	Difference in recognition and measurement	PPSASs	
ASSETS					**ASSETS**
Current assets					**Current assets**
Cash & Cash Equivalent	171,029,474	(15,799)		171,013,675	Cash and cash equivalents
Short Term Investments	313,096,015			313,096,015	Financial Assets
Receivables - net	337,837,879	(1,568,408)	(286,405)	335,983,066	Receivables - net
Inventories	2,573,921			2,573,921	Inventories
Other current assets	18,718,277	1,584,207	(5,056,594)	15,245,890	Other current assets
Total current assets	**843,255,566**	**0**	**(5,342,999)**	**837,912,567**	**Total current assets**
Non-current assets					**Non-current assets**
Investment	3,248,467		21,918,361	25,166,828	
Property, plant and equipment - net	1,111,765,876	50,720,357	(988,433)	1,161,497,800	Property, plant and equipment -net
Other non-current assets	50,798,289	(50,720,357)		77,932	Other non-current assets
Total non-current assets	1,165,812,632	0	20,929,928	1,186,742,560	**Total non-current assets**
TOTAL ASSETS	**2,009,068,198**	**0**	**15,586,929**	**2,024,655,127**	**TOTAL ASSETS**

LIABILITIES					**LIABILITIES**
Current liabilities					**Current liabilities**
Payables	136,739,287		15,538,843	152,278,130	Financial liabilities
Due to government agencies	6,520,955		643,365	7,164,320	Inter-agency payables
		128,942,633	(3,027,891)	125,914,742	Trust Liabilities
Other current liabilities	135,476,911	(135,476,911)		0	
Deferred Credits	13,248,005	3,769,607	4,668	17,022,280	Deferred Credits/ Unearned Income
		2,764,671		2,764,671	Other payables
Total current liabilities	**291,985,158**	**0**	**13,158,985**	**305,144,143**	**Total current liabilities**
					Non-current liabilities
	0				**Total non-current liabilities**
Total liabilities	**291,985,158**	**0**	**13,158,985**	**305,144,143**	**Total liabilities**
NET ASSETS/EQUITY					**NET ASSETS/EQUITY**
Equity	1,717,083,040		2,427,944	1,719,510,984	Government equity
Total net assets/equity	**1,717,083,040**	**0**	**2,427,944**	**1,719,510,984**	**Total net assets/equity**
TOTAL LIABILITIES AND NET ASSETS/EQUITY	**2,009,068,198**	**0**	**15,586,929**	**2,024,655,127**	**TOTAL LIABILITIES AND NET ASSETS/EQUITY**

Reconciliation of Surplus/(Deficit)

For the year ended December 31, 2016 (Opening balances as at January 1, 2017)

	Previous generally accepted accounting principles	Effect of transition to PPSASs: Reclassification	Effect of transition to PPSASs: Difference in recognition and measurement	PPSASs	
INCOME					**REVENUE**
Subsidy Income from National Government	561,817,941	(561,817,941)		0	
Seminar Fees	857,414			857,414	Seminar/Training Fees
Printing and Publication Sales	572,923			572,923	Income from printing and publication
Admission Fee	250,405			250,405	Admission Fee
Other Service Income	1,019,606			1,019,606	Other Service Income
Other Business Income	15,045,692			15,045,692	Other Business Income
Rental Income	151,649,941	(946,974)		150,702,967	Rent/Lease Income
		160,774		160,774	Fines and penalties - Business income
		786,201		786,201	Seaport System Fees
Parking Fees	10,239,326			10,239,326	Landing and Parking Fees
Interest Income	3,101,212			3,101,212	Interest Income
Miscellaneous Income	4,710,295	(4,710,295)		0	
		686,941		686,941	Grants and donations
		6,349		6,349	Dividend Income
	749,264,755	**(565,834,945)**	**0**	**183,429,810**	**Total Revenue**

Less:					
EXPENSES					**CURRENT OPERATING EXPENSES**
Personal services	154,915,690			154,915,690	Personnel services
Other maintenance and other operating expenses	68,050,661			68,050,661	Other maintenance and operating expenses
Professional services	90,179,138	(61,427,578)		28,751,560	Professional services
		61,427,578		61,427,578	General services
Utility Expense	36,784,501			36,784,501	Utility Expense
Depreciation	24,739,868			24,739,868	Depreciation
Repairs and maintenance	11,336,544			11,336,544	Repairs and maintenance
Supplies & Materials	9,142,319			9,142,319	Supplies and materials expenses
Subsidies and Donations	8,690,000	(8,690,000)		0	

Taxes, insurance premiums and other fees	4,441,506			4,441,506	Taxes, insurance premiums and other fees
Communication expenses	3,340,638			3,340,638	Communication expenses
Impairment Loss	1,360,433			1,360,433	Impairment Loss
Representation	996,998			996,998	Representation Expenses
Printing and Binding	843,420			843,420	Printing and Publication Expenses
Local travel	679,479			679,479	Traveling expenses
Training and Scholarship Expenses	440,282			440,282	Training and Scholarship Expenses
Rent	424,820			424,820	Rent/Lease Expenses
Advertising	371,001			371,001	Advertising, Promotional & Marketing Expenses
Financial Expense	163,458			163,458	Financial Expense
Subscription	152,078			152,078	Subscription Expenses
Membership Fees	63,082			63,082	Membership Dues and Contributions to Organization
TOTAL EXPENSES	**417,115,916**	**(8,690,000)**	**0**	**408,425,916**	**TOTAL CURRENT EXPENSES**
INCOME FROM OPERATION	**332,148,839**	**(557,144,945)**	**0**	**(224,996,106)**	**SURPLUS FROM CURRENT OPERATIONS**
Other income					**OTHER INCOME**
		1,348,021		1,348,021	Gains
		2,668,983		2,668,983	Miscellaneous income
TOTAL OTHER INCOME	**0**	**4,017,004**	**0**	**4,017,004**	**TOTAL OTHER NON-OPERATING INCOME**
Profit/(Loss) before tax	**332,148,839**	**(553,127,941)**	**0**	**(220,979,102)**	**SURPLUS BEFORE TAX**
Less: Income tax expense					Income tax expense
Net income/(loss)	**332,148,839**	**(553,127,941)**	**0**	**(220,979,102)**	**SURPLUS AFTER TAX**
					NET ASSISTANCE/SUBSIDY
		561,817,941		561,817,941	Subsidy Income from National Government
		(8,690,000)		(8,690,000)	Financial Assistance to NGOs/Pos
	0	**553,127,941**	**0**	**553,127,941**	
NET INCOME AFTER TAX	**332,148,839**	**0**	**0**	**332,148,839**	**NET SURPLUS FOR THE PERIOD**

7. RISK MANAGEMENT OBJECTIVES AND POLICIES

The CCP is exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Interest/Market risks
- Operational risk

This note present information about the CCP's exposure to each of the above risks, the CCP objectives, policies and processes for measuring and managing risk, and the Corporation's management of capital.

7.1 Risk Management Framework

The CCP Board has overall responsibility for the establishment and oversight of CCP's risk management framework. The Board is expected to establish and institute adequate control mechanisms for good governance in CCP.

Generally, the maximum risk exposure of financial assets and financial liabilities is the carrying amount of the financial assets and financial liabilities as shown in the statements of financial position, as summarized below.

	Note	2018	2017
Financial assets			
Cash and cash equivalents		233,021,300	199,962,338
Financial Assets		428,685,331	363,536,283
Other investments		31,041,148	29,073,455
Receivables		814,605,388	862,747,471
		1,507,353,167	**1,455,319,547**
Financial liabilities			
Financial liabilities	*17*	185,787,626	152,572,973
Inter-agency payables	*18*	6,512,660	8,517,573
Trust liabilities	*19*	155,261,434	139,174,666
		347,561,720	**300,265,212**

7.2 Credit Risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the CCP. The CCP has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or security deposit where appropriate as a means of mitigating the risk of financial loss from defaults. The CCP defines counterparties as having similar characteristics if they are related entities.

Also, the CCP manages its credit risk by depositing its cash with Land Bank of the Philippines (LBP), an authorized government depository bank.

The carrying amount of financial assets recognized in the financial statements represents the CCP's maximum exposure to credit risk.

a. <u>Credit risk exposure</u>

The table below shows the gross maximum exposure to credit risk of the CCO as of the years ended December 31, 2018 and 2017, without considering the effects of credit risk mitigation techniques.

	Note	2018	2017
Financial assets			
Cash and cash equivalents		233,021,300	199,962,338
Financial Assets		428,685,331	363,536,283
Other investments		31,041,148	29,073,455
Receivables		894,342,650	940,668,976
		1,587,090,429	**1,533,241,052**

* Receivables at gross of allowance for impairment amounting to P79,737,262 and P77,921,505 for the years ended December 31, 2018 and 2017, respectively.

b. Management of credit risk

The management of credit risk is covered by the Risk Management Committee. The Accounting Division and the Budget and Treasury Division of the agency are in charge of controlling, monitoring and collecting payments of all its receivables due from employees, tenants and clientele. Receivables from employees consist of overpayment of salaries due to leave without pay, excess usage of airtime charges over the set limit, personal calls, etc. and are collected thru payroll deductions. Status of outstanding receivables is summarized monthly in a schedule and is submitted together with the financial reports to the COA. Should there be no payments received, the Accounting Division follows up either thru phone call or write demand letters for collection until settled. Other concerns or issues, if any, are referred to the Legal Department or Audit Committee for appropriate action.

Settlement risk

The CCP's activities may give rise to risk at the time of settlement of transaction and trades. Settlement risk is the risk of loss due to the failure of a company to honor its obligations to deliver cash, securities or another assets as contractually agreed.

For certain types of transactions the CCP mitigates this risk by conducting settlements through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligation. Settlement limits form part of the credit approval/limit monitoring process described earlier. Acceptance of settlement risk on free settlement requires transaction specific or counterparty specific approval from Risk Committee.

c. Risk concentration of the maximum exposure to credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions, concentrations indicate the relative sensitivity of the CCP's performance to developments affecting a particular industry or geographical location. Such credit risk concentrations, if not properly managed, may cause significant losses that could threaten the CCP's financial strength and undermine public confidence.

d. Aging analysis

An aging analysis of the CCP's receivables as of the years ended December 31, 2018 and 2017 are as follows:

	2018	2017
Outstanding receivables:*		
Current accounts	11,443,233	595,641,177
Past due accounts:		
1 – 30 days past due	2,301,272	833,271
31 – 60 days past due	2,647,051	2,825,869
over 60 days past due	877,951,094	341,368,659
	894,342,650	**940,668,976**

* Receivables at gross of allowance for impairment amounting to P79,737,262 and P77,921,505 for the years ended December 31, 2018 and 2017, respectively.

e. Impairment assessment

The CCP recognizes impairment losses based on the results of the specific/individual and collective assessment of its credit exposures. Impairment has taken place when there is a presence of known difficulties in the servicing of cash flows by counterparties, infringement of the original terms of the contract has happened, or when there is an inability to pay principal or interest overdue beyond a certain threshold. These and the other factors constitute observable events and/or data that meet the definition of an objective evidence of impairment.

The two methodologies applied by the CCP in assessing and measuring impairment include: (1) specific/individual assessment; and (2) collective assessment. Under specific/individual assessment, the CCP assesses each individual significant credit exposure for any objective evidence of impairment, and where such evidence exists, accordingly calculates the required impairment.

Among the items and factors considered by the CCP when assessing and measuring specific impairment allowances are: (a) the timing of the expected cash flows; (b) the projected receipts or expected cash flows; (c) the going concern of the counterparty's business; (d) the ability of the counterparty to repay its obligations during financial crises; (e) the availability of other sources of financial support; and (f) the existing realizable value of collateral. The impairment allowances, if any, are evaluated as the need arises, in view of favorable or unfavorable developments.

With regard to the collective assessment of impairment, allowances are assessed collectively for losses on receivables that are not individually significant and for individually significant receivables when there is no apparent or objective evidence of individual impairment.

A particular portfolio is reviewed on a periodic basis, in order to determine its corresponding appropriate allowances. The collective assessment evaluates and estimates the impairment of the portfolio in its entirety even though there is no objective evidence of impairment on an individual assessment.

Impairment losses are estimated by taking into consideration the following deterministic information: (a) historical losses/write offs; (b) losses which are likely to occur but has not yet occurred; and (c) the expected receipts and recoveries once impaired.

7.3 Liquidity Risk

Liquidity risk is the risk that the CCP might encounter difficulty in meeting obligations from its financial liabilities.

a. <u>Management of liquidity risk</u>

The CCP's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the CCP's reputation.

The CCP maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to CCP and other facilities, to ensure that sufficient liquidity is maintained within the CCP as a whole.

b. <u>Exposure to liquidity risk</u>

The liquidity risk is the adverse situation when the CCP encounters difficulty in meeting unconditionally the settlement of its obligations at maturity. Prudent liquidity management requires that liquidity risks are identified, measured, monitored and controlled in a comprehensive and timely manner. Liquidity management is a major component of the corporate-wide risk management system. Liquidity planning takes into consideration various possible changes in economic, market, political, regulatory and other external factors that may affect the liquidity position of CCP.

The liquidity management policy of the CCP is conservative in maintaining optimal liquid cash funds to ensure capability to adequately finance its mandated activities and other operational requirements at all times. The CCP's funding requirements is generally met through any or a combination of financial modes allowed by law that would give the most advantageous results. Senior Management is actively involved in the Executive Committee headed by the Vice President for Administration with the Managers of all departments.

7.4 Market Risks

Market risk is the risk that changes in the market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's issuer's credit standing) will affect the CCP's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Management of market risk

The management of interest rate risk against interest gap limits is supplemented by monitoring the sensitivity of the CCP's financial assets and liabilities to various standard and non-standard interest rate scenarios.

7.5 Operational Risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the CCP's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the CCP's operations and are faced by all business entities.

The CCP's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the CCP's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of control to address operational risk is assigned to Senior Management within each business unit. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- Requirement for appropriate segregation of duties, including the independent authorization of transaction
- Requirement for the reconciliation and monitoring of transactions
- Compliance with regulatory and other legal requirements
- Documentation of controls and procedures
- Requirements for the periodic assessment of operational risk faced, and the adequacy of control and procedures to address the risk identified
- Requirements for the reporting of operational losses and proposed remedial action
- Development of contingency plans
- Training and professional development
- Ethical and business standards
- Risk mitigation, including insurance where this is effective

Compliance with corporate standards/processes is supported by a program of periodic reviews undertaken by Internal Audit or the Quality Management System (QMS) Team Auditors. The results of Internal Audit reviews are discussed with the Management of the CCP, with summaries to the Audit Committee and Senior Management of the CCP.

8. CASH AND CASH EQUIVALENTS

This account consists of the following:

Particulars	As at December 31, 2018	As at December 31, 2017
Cash on Hand	724,427	1,550,001
Cash in Bank- Local Currency	229,464,966	195,749,002
Cash in Bank- Foreign Currency	2,831,907	2,663,335
Cash Equivalents		
Total Cash and Cash Equivalents	**233,021,300**	**199,962,338**

Cash on hand consists of undeposited collections of Cash Collecting officers and Petty Cash Fund. All of the cash equivalent investments will mature within ninety days from date of placements.

9. INVESTMENTS

Particulars	As at December 31, 2018	As at December 31, 2017
Current Financial Assets	459,726,479	392,609,738
Non-Current Investment	21,588,450	29,073,455
Balance as at December 31	**481,314,929**	**421,683,193**

9.1 Current Financial Assets- Held to Maturity

This account consists of money market placements with the Land Bank of the Philippines maturing beyond ninety days but within one year from date of placement.

9.2 Current - Other Investments

This account includes Investment in Time Deposit maturing beyond ninety days but within one year from date of placement.

CURRENT FINANCIAL ASSETS & INVESTMENTS
As at December 31, 2018

Accounts	Financial Assets - held to maturity	Other Investments	Total
Beginning Balance as at January 1, 2018	**363,536,283**	**29,073,455**	**392,609,738**
Fair Value increase	65,149,048	1,967,693	67,116,741
Less: Investments sold/collected			-
Reclassification from a different class of investment			-

Balance as at December 31, 2018	428,685,331	31,041,148	459,726,479

CURRENT FINANCIAL ASSETS & INVESTMENTS

As at December 31, 2017

Accounts	Financial Assets - held to maturity	Other Investments	Total
Beginning Balance as at January 1, 2017 (as restated)	**313,096,015**	**-**	**313,096,015**
Fair Value increase	189,276,770		189,276,770
Less: Investments sold/collected	(109,763,047)		(109,763,047)
Reclassification from a different class of investment	(29,073,455)	29,073,455	-
Balance as at December 31 (As restated)	**363,536,283**	**29,073,455**	**392,609,738**

9.3 Non-Current - Other Investments

This account represents the value of shares of stocks, stated at cost, acquired by the Center from mining, oil and industrial companies/enterprises.

NON- CURRENT FINANCIAL ASSETS & INVESTMENTS

Other Investments

Accounts	2018	2017 (as restated)
Beginning Balance as at January 1 (as restated)	**25,199,501**	**25,166,828**
Additional Investments made		
Less: Investments sold/collected		
Gain or loss on fair market valuation	(3,611,051)	32,673
Balance as at December 31	**21,588,450**	**25,199,501**

10. RECEIVABLES

10.1 Loans and Receivables

Accounts	2018	2017 (as restated)
Accounts Receivables	7,045,373	6,571,223
Allowance for Impairment- Account Receivable	(3,558,756)	(3,181,595)
Net Value- Account Receivable	**3,486,617**	**3,389,628**

Notes Receivable	59,147,027	59,147,027
Allowance for Impairment- Notes Receivable	(59,147,027)	(59,147,027)
Net Value- Notes Receivable	**0**	**0**
Interest Receivable	2,889,383	886,398
Allowance for Impairment- Interest Receivable	0	0
Net Value- Interest Receivable	**2,889,383**	**886,398**
Total	**6,376,000**	**4,276,026**

a. Account receivable

Accounts receivable consists of unpaid ticket sales, theater rentals, sponsorship fees, theater subscriptions and other receivables arising from the operations of the Center.

b. Notes receivable

This account represents the outstanding and overdue principal of promissory notes executed by various clients from 1977 to 1978 in favor of the Center amounting to P8,972,257 as well as the interest and surcharges that accrued to the said instruments up to 1999 amounting to P50,174,770.

These accounts were referred to the Office of the Government Corporate Counsel for collection purposes through judicial or extra-judicial processes. Appropriate charges were filed in proper courts, and in some cases, the Center was able to secure favorable decisions from the courts, but fell short of satisfying the claims of the Center due to insolvency of a respondent, or some of the respondents have already absconded while the cases were still on appeal with the Supreme Court. On the other hand, other cases filed did not prosper since summons or warrants of arrest could not be served, as the whereabouts of the respondents were unknown.

Since previous efforts failed to satisfy the Center's claim from these debtors, said receivables are now considered as doubtful accounts, thus a 100 percent allowance for doubtful accounts was recognized.

c. Interest Receivable

This account represents the amount of interest earnings due from financial assets as of year-end.

10.2 Operating Lease Receivables

Accounts	2018	2017 (as restated)
Operating Lease Receivable	22,650,937	20,886,685
Allowance for Impairment- Operating Lease Receivable	(14,303,028)	(12,894,208)
Net Value- Operating Lease Receivable	**8,347,909**	**7,992,477**

This account represents the unpaid rentals, maintenance and utilities due from the concessionaires of the Center.

10.3 Interagency Receivable

Accounts	2018	2017 (as restated)
Due from National Government Agencies	785,262,884	838,920,573
Due from Government Corporations	190,963	190,963
Total	**785,453,847**	**839,111,536**

a. Due from National Government Agencies (NGAs)

This account includes receivables from the Bureau of Internal Revenue, Philippine High School for the Arts, Product Development Design Center and Department of Tourism.

b. Due from Government Corporations

Bulk of this account represents receivables from the Government Service Insurance System, Home Development Mutual Fund and Philippine Health Insurance Corporation representing over-remittance of premiums and loan amortizations and insurance claims for the Center's motor vehicles. It also includes the receivable of P50,000 from Bangko Sentral ng Pilipinas representing its share in the cost of road upkeep for 1981.

10.4 Other Receivables

Accounts	2018	2017 (as restated)
Receivables-Disallowances/Charges	3,202,536	3,288,496
Due from Officers and Employees	80,101	98,951
Due from Non-Government Organizations/Peoples Organization	10,434,691	6,769,659
Other Receivables	3,438,755	3,909,000
Allowance for Impairment- Other Receivable	*(2,728,452)*	*(2,698,674)*
Net Value- Other Receivables	**710,303**	**1,210,326**
Total	**14,427,631**	**11,367,432**

a. Receivables – disallowances/charges

This account represents Notices of Disallowance issued by the Commission on Audit on various payments made by the Center. In 2010, the Center had exerted effort and sent demand letters to the concerned officers and employees. Some of the demand letters were not served because the whereabouts of the respondents were unknown.

b. Due from officers and employees

This consists of cash advances granted for travel, purchase of supplies and materials and some incidental expenses in connection with CCP productions.

c. Due from Non-Government Organizations/Peoples Organization

This account represents amounts granted to Non-Government Organizations/People Organization for special purpose/time-bound undertakings/projects.

d. Other receivables

Lodged under this account are receivables/advances as follows:

	2018	**2017 (as restated)**
Gloriamaris Account	107,184	107,184
Others:		
Agencies/Corporations	2,008,588	2,478,833
Advances	636,604	636,604
Employees	393,886	393,886
Individuals	260,362	260,362
Vicor Music Corporation	32,131	32,131
Total	3,438,755	3,909,000
Allowance for Doubtful Accounts	*(2,728,452)*	*(2,698,674)*
Others receivables - net	**710,303**	**1,210,326**

Other receivables - agencies/corporations represent pledges and sponsorship support of various agencies, corporations or companies for the various projects that they undertook or the consumption of the utilities of the Center.

Other receivables - advances represent advances made by the Center on the projects/programs with funding coming from different government agencies and private entities, until such time that the approved funding is released to the Center.

Other receivables - Vicor Music Corporation (VMC) corresponds to the unpaid balance on the P5 million loan granted to VMC by the Center in February 1984 which was left unsettled after VMC's privatization in October 1993.

10.5 Aging/Analysis of Receivables

Accounts	Total	Not past due	Past Due		
			<30 days	30-60 days	>60 days
Accounts Receivables	7,045,373	526,269	588,956	185,978	5,744,170
Notes Receivable	59,147,027				59,147,027
Interest Receivable	2,889,383	2,889,383			
Lease Receivable	22,650,937	1,498,345	206,405	36,906	20,909,281
Inter-Agency Receivable	785,453,847	5,230,836	55,911		780,167,100
Other Receivable	17,156,083	1,298,400	1,450,000	2,424,167	11,983,516
Total	**894,342,650**	**11,443,233**	**2,301,272**	**2,647,051**	**877,951,094**

11. INVENTORIES

Accounts	2018	2017 (as restated)
Inventory Held for Sale		
Carrying amount, January 1	1,613,292	1,613,292
Additions/Acquisitions during the year	59,232	0
Expensed during the year		0
Carrying amount, December 31	**1,672,524**	**1,613,292**
Inventory Held for Consumption		
Carrying amount, January	**750,991**	**960,629**
Additions/Acquisitions during the year	2,806,562	1,800,613
Expensed during the year	(2,746,476)	(2,010,251)
Carrying amount, December 31	**811,077**	**750,991**
Total	**2,483,601**	**2,364,283**

Regular purchases of office supplies for stock are recorded under the Inventory account and issuances thereof are recorded based on the Report of Supplies Issuances.

12. PROPERTY, PLANT AND EQUIPMENT - NET

This account consists of the following:

As at December 31, 2018

Accounts	Land	Land Improvement	Infrastructure Assets	Building and Other Structures	Machinery & Equipment	Total
Carrying amount, January 1, 2018 as restated	**796,386,550**	**41,362,363**	**30,697,672**	**141,833,070**	**172,234,506**	**1,182,514,161**
Additions/Acquisitions		954,399	0	17,663,444	50,166,292	68,784,135
Total	**796,386,550**	**42,316,762**	**30,697,672**	**159,496,514**	**222,400,798**	**1,251,298,296**
Disposals					*(462,380)*	*(462,380)*
Depreciation		*(4,345,142)*	*(1,498,126)*	*(9,468,672)*	*(13,855,198)*	*(29,167,138)*
Impairment Loss						
Carrying amount, December 31, 2018	**796,386,550**	**37,971,620**	**29,199,546**	**150,027,841**	**208,083,221**	**1,221,668,778**

Gross Cost	**796,386,550**	**112,250,791**	**33,291,688**	**732,559,768**	**458,117,853**	**2,132,606,650**
Accumulated Depreciation		*(74,279,171)*	*(4,092,141)*	*(582,531,927)*	*(250,034,632)*	*(910,937,872)*
Accumulated Impairment Losses						*0*
Carrying amount, December 31, 2018	**796,386,550**	**37,971,620**	**29,199,546**	**150,027,841**	**208,083,220**	**1,221,668,778**

As at December 31, 2017

Accounts	Land	Land Improvement	Infrastructure Assets	Building and Other Structures	Machinery & Equipment	Total
Carrying amount, January 1, 2017 (As restated)	**796,386,550**	**24,674,662**	**32,195,798**	**151,242,140**	**155,659,462**	**1,160,158,612**
Additions/Acquisitions		21,160,513		59,602	28,262,978	**49,483,093**
Total	**796,386,550**	**45,835,175**	**32,195,798**	**151,301,742**	**183,922,440**	**1,209,641,705**
Disposals					*(351,964)*	**(351,964)**
Depreciation		*(4,472,812)*	*(1,498,126)*	*(9,468,672)*	*(11,335,970)*	**(26,775,580)**
Impairment Loss						**0**
Carrying amount, December 31, 2017 (as restated)	**796,386,550**	**41,362,363**	**30,697,672**	**141,833,070**	**172,234,506**	**1,182,514,161**

Gross Cost	**796,386,550**	**111,296,392**	**33,291,687**	**714,896,324**	**413,094,275**	**2,068,965,228**
Accumulated Depreciation	0	(69,934,029)	(2,594,015)	(573,063,254)	(240,859,769)	(886,451,067)
Accumulated Impairment Losses	0					0
Carrying amount, December 31, 2017 (as restated)	**796,386,550**	**41,362,363**	**30,697,672**	**141,833,070**	**172,234,506**	**1,182,514,161**

12.1 Land

The Center has a total of 608,569 square meters of land:

	Number of	Price Per	

	Square Meters	Square Meter	Cost
Reclaimed area	507,046	1,000.00	507,046,000
Manila Film Center area	101,523	2,850.00	289,340,550
Total	**608,569**		**796,386,550**

The reclaimed area which was assigned to the Center pursuant to Presidential Decree Nos. 15 and 774, dated 5 October 1972 and 22 August 1975, respectively, already excluded the following: (1) land area occupied by the Philippine International Convention Center - this was sold to the Bangko Sentral ng Pilipinas; (2) land area covering Philcite - this was transferred to the Philippine National Bank; and (3) land areas covering the Philippine Plaza Hotel, Gloriamaris Restaurant and the Tahanang Pilipino - these were transferred to the Government Service Insurance System in settlement of the Center's outstanding obligations.

The land where the Manila Film Center (MFC) is situated was assigned to the Center by the Public Estates Authority (PEA) in 1985 pursuant to LOI 1411. This was considered as partial payment for the obligations of PEA, now the Philippine Reclamation Authority, to the National Government (NG) and as contribution of the NG to the Center.

In 2015, the Department of Public Works and Highways-South Manila District Engineering Office implemented the National Road Lighting Program Package 7 (civil works) project wherein they undertook the installation of lamp post/street lamps along the following road sections:

- Folk Art Theater (FAT) Access road
- PICC FAT Main Road
- PICC FAT Perimeter road
- Spine Road
- Manila Film Center Main road
- Manila Film Center Access road.

The Center upon acceptance and taking up in the books of account the transfer of the completed project in 2016 commits to secure and undertake the repair and maintenance of the road network.

In 2016, the Center, in connection with its Complex Development Plan and joint venture purposes, commissioned an independent appraisal company to determine the current value of CCP land. The said appraisers submitted a valuation of CCP land ranging from P70,000.00 to P79,000.00 per square meter and a final estimate of CCP's property valuation for recording purposes is yet to be submitted.

12.2 Buildings and other structures

The Center owns buildings and structures, including a water reservoir and conduits with a carrying amount of P150 million.

12.3 Machinery and Equipment

The account of Furniture and Equipment includes a list of Property, Plant and Equipment (PPE) that are already idle, unserviceable and fully depreciated amounting to P191.230 million as submitted in 2017 to the Commission on Audit for dropping from the books of accounts. The amount of P191.23 million is already net of the reclassifications made to expense/Retained Earning in compliance with COA Circular 2015-010. The Center was not able to reflect the dropping of PPE accounts because of the difficulties it encountered in complying with the requirements of Sec. 40 (d) of the Government Accounting Manual due to incomplete information and unavailability of supporting documents.

The bulk of this account also includes various visual art collections such as paintings and sculptures totaling P50,720,357. Paintings were valued based on the status of the artist and the importance of works in relation to the current art scene. However, some of the works were assigned a nominal value of P1 since they were only print photographs and the outputs of visual arts work-shoppers.

13. OTHER ASSETS

13.1 Other Current Assets

Accounts	2018	2017 (as restated)
Advances	1,717,281	667,353
Prepayments	35,630,648	14,277,468
Deposits	744,691	994,691
Other Assets	227,510	227,510
Total	**38,320,130**	**16,167,022**

Major portion of this account represents unexpired insurance premiums on policies covering the Center's property, the unexpired portion of the prepaid taxes withheld on interest on money market placements with government banks, and advances made for goods and services. Also included under this account are guaranty deposits, taxes withheld by suppliers and input taxes accrued by the Center.

Input tax refers to the 12 per cent value added tax (VAT) on purchases which are creditable against the Center's output taxes on sales. Below is the breakdown of the transactions made for the accounts during the year:

Particulars	2018
Input tax, beginning	10,854,127
Add: Input Tax for the year	21,390,661
Total	32,244,788
Less: Output Tax offset	17,210,917
Input Tax 2018	**15,033,871**

14. FINANCIAL LIABILITIES

14.1 Payable

This account represents accrued expenses classified as follows:

Accounts	2018	2017 (as restated)
Payables		
Accounts Payable	177,077,092	144,253,598
Due to Officers and Employees	8,304,880	8,280,662
Tax Payable	405,654	38,713
Total	**185,787,626**	**152,572,973**

a. Accounts Payable

The Accounts Payable account is composed of the following:

a. Accrued Liabilities are committed and budgeted expenses for goods and services that were already provided to the Center but were not yet paid because invoices and other supporting documents for payments were not yet presented.

b. Unliquidated Obligations/ Vouchers represents unpaid amount to suppliers and service providers for various goods already delivered and services rendered as of December 31, 2018.

b. Due to Officers and Employees

The Due to Officers and Employees account is used to recognize incurrence of liability to officers and employees for salaries, benefits and other emoluments including authorized expenses paid in advance by the officers and employees

c. Tax Refund Payable

Tax Refund Payable account is used to recognize amount refundable to taxpayers for excess amount paid/withheld. As of December 31, 2017, the balance represents unclaimed tax refunds of resigned/retired employees pending the completion of their clearances/documents required for terminal pay.

15. INTER-AGENCY PAYABLES

Accounts	2018	2017 (as restated)

Due to BIR	2,789,839	5,154,238
Due to GSIS	3,108,980	2,834,421
Due to PAG-IBIG	395,500	368,014
Due to Philhealth	218,341	160,900
Total	**6,512,660**	**8,517,573**

15.1 Due to BIR

Included in this account are taxes such as income tax, expanded tax, final tax, and value added tax withheld by the Center for remittance to the Bureau of Internal Revenue. The Center regularly remits its taxes withheld in compliance with BIR regulations.

15.2 Due to GSIS, PAG-IBIG, PHILHEALTH

This account consists of unremitted deductions from the salaries of officers and employees for life and retirement premiums on insurance, optional insurance, salary, policy and real estate loans, medical and estate insurance and premiums.

16. TRUST LIABILITIES

Accounts	2018	2017 (as restated)
Trust Liabilities	72,888,376	85,047,755
Guaranty/Security Deposits Payable	20,187,234	16,415,585
Customer's Deposits Payable	62,185,824	37,711,326
Total	**155,261,434**	**139,174,666**

16.1 Trust Liabilities

The Trust Liabilities represents collection from different government and private entities for various projects of the Center which aim to awaken the consciousness of the Filipino people to our cultural heritage.

It also includes funds entrusted to the Center as custodian by different entities to finance various cultural projects. Likewise, included was the fund received from the Bureau of Treasury in 2009 for the settlement of liability of the Republic of the Philippines to Republic Real Estate Corporation (RREC) amounting to P41.79 million. In 2009, the Court of Appeal (CA) issued a decision allowing the National Government and CCP to consign the said funds with the courts. A motion for Execution of the CA said decision was already filed by CCP with trial court but it was denied. In June 2016 the Petition for Review filed by RREC was denied upholding the CA Decision in 2009 and Resolution in 2013.

16.2 Guaranty/Security Deposits Payable

The account represents liability arising from the receipt of cash bond to guarantee the performance of the contract/court order.

16.3 Customers Deposit Payables

This account represents liability arising from cash received for theater violations deposits, deposits of producers for production expenses, deposits from concessionaires, and other various deposits (i.e. rental and utility deposits) which are refundable to the depositors.

It also includes collection of ticket sales of lessee-produced shows collected by the Center which were not yet remitted to the producers.

17. DEFERRED CREDITS/UNEARNED INCOME

Accounts	2018	2017 (as restated)
Output Tax	5,984,486	3,665,455
Other Deferred Credits	3,585,497	6,519,015
Unearned Revenue/Income	3,787,171	6,548,737
Total	**13,357,154**	**16,733,207**

The account includes income collected but not yet recognized as revenue by the Center at the end of the accounting period, as well as the Center's output tax and deferred output tax account. Deferred Output Tax corresponds to the 12 percent tax on sales billed as part of the receivables. Upon collection of receivables, this account is debited and the Output tax account is then set up.

18. OTHER PAYABLES

This account includes staled checks and other liabilities not falling under any specific liability account.

19. GOVERNMENT EQUITY

This account consists of the vast parcels of reclaimed land where the CCP Complex is situated, the initial capitalization of the Center, property donated to the Center such as the Manila Film Center building and its appurtenances, audio film recording system, motorcycles, musical instruments and other equipment. Also included are the construction cost of the Folk Arts Theater and the cost of the furniture, fixtures and equipment contained and/or installed therein.

This account also includes Retained Earnings which represents the accumulated net earnings/losses of the Center, including that of the Philippine Plaza Hotel when it was still a division of the Center until December 31, 1988.

20. SERVICE AND BUSINESS INCOME

Particulars	2018	2017 (as restated)
Service Income		
Other Business Income	1,577,942	2,253,310
Total Service Income	**1,577,942**	**2,253,310**
Business Income		
Seminar/Training Fees	1,121,521	1,451,809
Rent/Lease Income	165,243,428	158,422,301
Seaport System Fees	977,052	938,334
Landing and Parking Fees	26,465,399	15,915,737
Income from Printing and Publication	5,778,806	496,556
Dividend Income	-	6,349
Interest Income	11,820,436	5,779,196
Fines and Penalties- Business Income	63,484	72,679
Admission Fees	126,421	87,205
Other Business Income	21,228,932	22,505,507
Total Business Income	**232,825,479**	**205,675,673**
Total	**234,403,421**	**207,928,983**

21. SHARES, GRANTS AND DONATIONS

Particulars	2018	2017 (as restated)
Income from Grants and Donation in Cash	626,556	488,441
Income from Grants and Donation in Kind	3,600,000	
Total	**4,226,556**	**488,441**

22. PERSONNEL SERVICES

This line item consists of:

Particulars	2018	2017 (as restated)

Salaries and Wages	122,097,068	111,646,548
Other Compensation	42,113,019	41,508,280
Personnel Benefit Contributions	16,419,497	15,002,060
Other Personnel Benefits	6,917,144	7,684,835
Total	**187,546,728**	**175,841,723**

22.1 Salaries and Wages

Particulars	2018	2017 (as restated)
Salaries and Wages- Regular	121,466,468	111,646,548
Salaries and Wages- Casual/Contractual	630,600	699,783
Total	**122,097,068**	**112,346,331**

22.2 Other Compensation

Particulars	2018	2017 (as restated)
Other Bonuses and Allowances	16,577,973	16,083,404
Year End Bonus	10,172,950	9,509,491
Personnel Economic Relief Allowance (PERA)	6,232,552	6,305,585
Representation Allowance (RA)	2,512,750	2,444,000
Transportation Allowance (TA)	2,290,750	2,323,611
Clothing/Uniform Allowance	1,566,000	1,325,000
Cash Gift	1,302,000	1,322,000
Productivity Incentive Allowance	1,002,500	1,290,000
Overtime and Night Pay	433,494	363,459
Subsistence Allowance	18,450	17,800
Laundry Allowance	3,600	4,200
Longevity Pay		519,730
Total	**42,113,019**	**41,508,280**

22.3 Personnel Benefit Contributions

Particulars	2018	2017 (as restated)
Retirement and Life Insurance Premiums	14,489,857	13,431,980
PhilHealth Contributions	1,307,240	938,737
Pag-IBIG Contributions	311,200	315,688
Employees Compensation Insurance Premiums	311,200	315,655
Total	**16,419,497**	**15,002,060**

22.4 Other Personnel Benefits

Particulars	2018	2017 (as restated)
Other Personnel Benefits	6,554,718	6,815,135
Terminal Leave Benefits	362,426	869,700
Total	**6,917,144**	**7,684,835**

22.5 Employees future benefits

The permanent employees of the CCP contribute to the GSIS in accordance with the RA No. 8291. The GSIS administers the plan, including payment of pension benefits to employees to whom the act applies. Social insurance (life and retirement) benefits are mandatory defined contribution plans fixed at 9% of the basic salaries of regular government employees.

23. MAINTENANCE AND OTHER OPERATING EXPENSES

This line item consists of:

Particulars	2018	2017 (as restated)
Other Maintenance and Operating Expenses	83,937,519	60,675,993
General Services	69,811,972	61,497,633
Utility Expenses	44,585,367	39,528,352
Repairs and Maintenance	18,330,901	11,212,111
Professional Services	11,221,187	11,694,311
Supplies and Materials Expenses	7,402,417	5,301,305
Taxes, Insurance Premiums and Other Fees	5,147,944	9,457,776
Communication Expenses	2,825,035	2,977,691
Traveling Expenses	539,450	483,292
Training and Scholarship Expenses	434,825	356,091
Total	**244,236,617**	**203,184,555**

23.1 Other Maintenance and Operating Expenses

Particulars	2018	2017 (as restated)
Advertising, Promotional and Marketing Expenses	234,061	217,567
Printing and Publication Expenses	1,067,131	728,413
Representation Expenses	1,014,111	909,642
Rent/Lease Expenses	421,658	392,479
Membership Dues and Contributions to Organizations	77,909	44,354

Subscription Expenses	144,335	102,496
Donations		
Other Maintenance and Operating Expenses	80,978,314	58,281,042
Total	**83,937,519**	**60,675,993**

23.2 General Services

Particulars	2018	2017 (as restated)
Environment/Sanitary Services	691,398	711,283
Janitorial Services	13,220,459	14,851,204
Security Services	25,766,463	22,210,682
Other General Services	30,133,652	23,724,464
Total	**69,811,972**	**61,497,633**

23.3 Utility Expense

Particulars	2018	2017 (as restated)
Water Expenses	10,611,222	8,677,992
Electricity Expenses	33,974,145	30,850,360
Total	**44,585,367**	**39,528,352**

23.4 Repairs and Maintenance

Particulars	2018	2017 (as restated)
Repairs and Maintenance-Land Improvements	1,790,893	3,106,959
Repairs and Maintenance-Buildings and Other Structures	15,318,190	6,366,947
Repairs and Maintenance-Machinery and Equipment	627,685	668,954
Repairs and Maintenance-Transportation Equipment	353,875	346,932
Repairs and Maintenance-Furniture and Fixtures	104,347	365,132
Repairs and Maintenance-Other Property, Plant and Equipment	135,911	357,187
Total	**18,330,901**	**11,212,111**

23.5 Professional Services

Particulars	2018	2017 (as restated)
Legal Services	140,143	180,000

Auditing Services	3,209,349	3,268,602
Consultancy Services	-	805,460
Other Professional Services	7,871,695	7,440,249
Total	**11,221,187**	**11,694,311**

23.6 Supplies and Materials Expenses

Particulars	2018	2017 (as restated)
Other Supplies and Materials Expenses	2,803,716	1,858,168
Office Supplies Expenses	2,331,683	1,970,354
Semi-Expendable Furniture, Fixtures and Books Expenses	1,029,370	453,794
Fuel, Oil and Lubricants Expenses	919,791	598,844
Semi-Expendable Machinery and Equipment Expenses	244,800	410,674
Accountable Forms Expenses	71,744	9,471
Medical, Dental and Laboratory Supplies Expenses	1,313	
Drugs and Medicines Expenses	-	
Total	**7,402,417**	**5,301,305**

23.7 Taxes, Insurance and Premiums

Particulars	2018	2017 (as restated)
Taxes, Duties and Licenses	2,436,159	7,282,971
Fidelity Bond Premiums	174,997	135,962
Insurance Expenses	2,536,788	2,038,843
Total	**5,147,944**	**9,457,776**

23.8 Communication Expenses

Particulars	2018	2017 (as restated)
Postage and Courier Services	28,464	40,000
Telephone Expenses	2,009,714	1,954,162
Internet Subscription Expenses	786,857	983,529
Cable, Satellite, Telegraph and Radio Expenses	-	
Total	**2,825,035**	**2,977,691**

23.9 Travelling Expenses

Particulars	2018	2017 (as restated)
Traveling Expenses-Local	255,991	195,386
Traveling Expenses-Foreign	283,459	287,906
Total	**539,450**	**483,292**

23.10 Training and Scholarship Expense

Particulars	2018	2017 (as restated)
Training Expenses	434,825	356,091
Scholarship Grants/Expenses		
Total	**434,825**	**356,091**

24. FINANCIAL EXPENSES

This account consists of the following:

Particulars	2018	2017 (as restated)
Bank Charges	386,013	242,050
Other Financial Charges	-	
Total	**386,013**	**242,050**

25. NON-CASH EXPENSES

Non-cash expenses represent the depreciation expenses recognized for property, plant and equipment and the impairment loss recognized for the receivables doubtful of collectability. This account consists of the following:

25.1 Depreciation

Particulars	2018	2017 (as restated)
Depreciation-Land Improvements	4,345,142	4,472,812
Depreciation-Infrastructure Assets	1,498,126	1,498,126
Depreciation-Buildings and Other Structures	9,468,672	9,468,672
Depreciation-Machinery and Equipment	5,384,769	4,647,241
Depreciation-Transportation Equipment	731,400	560,400
Depreciation-Furniture, Fixtures and Books	142,794	96,555
Depreciation-Other Property, Plant and Equipment	7,596,235	6,008,372
Total	**29,167,138**	**26,752,178**

25.2 Impairment Loss

Particulars	2018	2017 (as restated)
Impairment Loss-Financial Assets Held to Maturity		
Impairment Loss-Loans and Receivables	390,661	75,685
Impairment Loss-Lease Receivables	1,408,820	194,991
Impairment Loss-Other Receivables	16,278	4,883
Total	**1,815,759**	**275,559**

26. NET ASSISTANCE/SUBSIDY

26.1 Assistance/Subsidy from NGAs, LGUs, GCs

Particulars	2018	2017 (as restated)
Subsidy from National Government	298,058,372	842,619,957
Subsidy from Other National Government Agencies	-	-
Total	**298,058,372**	**842,619,957**

26.2 less: Financial Assistance/Subsidy/Contributions

Particulars	2018	2017 (as restated)
Financial Assistance to NGOs/POs	8,190,000	8,198,021
Total	**8,190,000**	**8,198,021**

Net Assistance/Subsidy/(Financial Assistance/Subsidy/Contribution)	**289,868,372**	**834,421,936**

27. NON-OPERATING INCOME, GAIN OR LOSSES

This line item consists of the following:

27.1 Non-Operating Income/Gain

Particulars	2018	2017 (as restated)
Miscellaneous Income	1,413,128	12,634,079
Gain on Foreign Exchange (FOREX)	1,733,133	330,966
Gain from Changes in Fair Value of Investment Property	19,516	
Total	**3,165,777**	**12,965,045**

27.2 Non-Operating Losses

Particulars	2018	2017 (as restated)
Loss on Foreign Exchange (FOREX)	-	51,351
Loss from Changes in Fair Value of Financial Instruments	3,630,567	
Total	**3,630,567**	**51,351**

28. SUPPLEMENTARY INFORMATION UNDER RR 15-2010

On November 25, 2010, the Bureau of Internal Revenue issued Revenue Regulation No. 15-2010 amending certain provisions of Revenue Regulation No. 21-2002, as amended, implementing Section 6 (H) of the Tax Code of 1997, authorizing the Commissioner of Internal Revenue to prescribe additional procedural and/or documentary requirements in connection with the preparation and submission of financial statements accompanying the tax returns.

28.1 Value Added Tax (VAT)

The Center's VAT payable as of December 31, 2018 and 2017 is computed as follows:

Particulars	2018	2017
Sales of services	215,855,026	195,360,004
Zero rated sales		
VAT exempt sales	365,489,364	339,144,221
Total Gross Receipts	581,344,390	534,504,225
Less:		
Zero rated sales	-	-

VAT exempt sales	365,489,364	339,144,221
Total Vatable Gross Receipts	215,855,026	195,360,004
Multiply by: Tax Rate	12%	12%
Total Output Tax for the year	**25,902,603**	**23,443,200**

Particulars	2018	2017
Input		
Beginning of the year		
Current year's purchase/payments for:		
Goods other than for resale or manufacture	4,708,688	2,806,004
Services lodged cost of services		
Services lodged under other accounts	10,768,609	8,918,607
Balance at the end of the year	**15,477,297**	**11,724,611**

Particulars	2018	2017
Output VAT declared for the year	25,902,603	23,443,200
Less: Balance of input VAT at the end of the year	15,477,297	11,724,611
Total	10,425,306	11,718,589
Value Added Tax Payable for the year		
Less: VAT Payments for the current year		
1st Quarter	1,656,896	3,608,266
2nd Quarter	1,455,235	2,743,471
3rd Quarter	2,080,993	1,922,085
October and November	2,455,569	2,308,327
VAT withheld on sales to government	484,682	265,130
VAT Payable	**2,291,931**	**871,310**

28.2 Excise Tax

There are no transactions subject to excise taxes for the years ended December 31, 2018 and 2017.

28.3 Other taxes, local and national

This account consists of taxes and licenses paid for the years ended December 31, 2018 and 2017 as follows:

28.4 Withholding taxes

The Center has been consistently withholding and remitting taxes on salaries and wages and other benefits due from its officers and employees as well as on goods and services to the BIR. For CY 2018, taxes withheld amounted to P30.341 million while total taxes remitted to BIR totaled to P27.464 million. The Center's withholding taxes for the years ended December 31, 2018 and 2017 are as follows:

A. Withholding Tax on Compensation

Particulars	2018	2017
Total Withheld tax for the year	13,029,276	22,843,881
Less: Payments made from January to November	11,950,565	20,664,077
Withholding tax still due and payable	**1,078,711**	**2,179,804**

B. Expanded Withholding Tax

Particulars	2018	2017
Total Withheld tax for the year	6,488,291	6,555,988
Less: Payments made from January to November	5,755,230	5,836,661
Withholding tax still due and payable	**733,061**	**719,327**

C. Final Withholding Tax

Particulars	2018	2017
Total Withheld tax for the year	376,563	1,227,991
Less: Payments made from January to November	291,020	1,000,699
Withholding tax still due and payable	**85,543**	**227,292**

D. Withholding PERCENTAGE

Particulars	2018	2017
Total Withheld tax for the year	1,282,164	951,798
Less: Payments made from January to November	1,165,939	852,551
Withholding tax still due and payable	**116,225**	**99,247**

E. Withholding VAT

Particulars	2018	2017
Total Withheld tax for the year	9,164,762	6,989,922
Less: Payments made from January to November	8,301,609	5,687,522
Withholding tax still due and payable	**863,153**	**1,302,400**

Adjustments in the balances of taxes payable reflected in the trial balance as of December 31, 2018 are to be effected in 2019 to reflect the correct tax dues and remittance in 2018.

29. NON-CASH INCOME

During the year, the Center has received non cash sponsorship from various companies and organization in support of its arts programs and activities. These consist of but not limited to food, media (online, radio airtime and television plugs), design services and other giveaways amounting to P41.476 million.

30. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

The Center's revenue target for CY 2018 amounts to P240.38 million as submitted and approved by the Department of Budget and Management (DBM). Actual revenue recognized for the year amounted to P263.02 million.

The approved budgeted amount of P1,032.28 million was sourced from the Centers' corporate fund, current year subsidy, Tobacco Inspection Fee and prior year's continuing appropriation.

The difference between the final budgeted and the actual amount for personnel services pertains to unfilled positions as at the reported year. The Center also has achieved favorable results from the cost cutting measures it had implemented during the year, which resulted to a variance of P26.49 million for MOOE. Actual Capital outlay funded for the year includes cost for the rehabilitation of the CCP Main Building, furnishing of the new Blackbox building, initial cost in the construction of the new Artist Center and various theaters and other office equipment. The P106.15 million difference between final budget and Actual amount will be collected in the succeeding years since the release of funds from DBM for Capital Outlay items are dependent upon the submission of billing statements, contracts and purchase orders.