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

1. GENERAL INFORMATION/ENTITY PROFILE

The financial statements of the **CULTURAL CENTER OF THE PHILIPPINES** (CCP) (Filipino: *Sentrong Pangkulturang Pilipinas*) were authorized for issue on August 26, 2020 as shown in the Statement of Management's Responsibility for Financial Statements signed by Ma. Margarita Moran–Floirendo, the Chairperson of the Board of Trustees (BOT).

The 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 (EO) 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 (GOCC), 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

2.1 Statement of Compliance with International Public Sector Accounting Standards (IPSASs)

The financial statements have been prepared in compliance with the IPSASs, formerly Philippine Public Sector Accounting Standards (PPSASs), prescribed for adoption by the Commission on Audit(COA) through COA Resolution No. 2014-003 dated January 24, 2014. The PPSASs were renamed to IPSASs per COA Resolution No. 2020-01 dated January 9, 2020.

The accounting policies have been consistently applied throughout the year presented.

2.2 Preparation of Financial Statements

The CCP's financial statements have been prepared on the basis of historical cost, unless stated otherwise. The Statements of Cash Flows are 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 IPSASs requires the use of certain accounting estimates. It also requires the entity to exercise judgment in applying the entity's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effects are disclosed in *Note 3.17*.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 *Basis of Accounting*

The CCP's financial statements are prepared on an accrual basis in accordance with the IPSASs.

3.2 *Financial instruments*

a. Financial assets

i. Initial recognition and measurement

Financial assets within the scope of IPSAS 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 marketplace (regular way trades) are recognized on the trade date, i.e., the date that the CCP commits to purchase or sell the asset.

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

ii. Subsequent measurement

The subsequent measurement of financial assets depends on their classification.

1. Financial assets at fair value through surplus or deficit

Financial assets at fair value through surplus or 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. 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 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.

3. 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.

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 IPSAS 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:

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

2. Default or delinquency in interest or principal payments;

3. The probability that debtors will enter bankruptcy or other financial reorganization; and

4. 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 loss 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 loan 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. Receivables 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 CCP. 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. The request for write-off of accounts is based on the guidelines prescribed in COA Circular No. 2016-005 dated December 19, 2016. If a future write-off is later recovered, the recovery is credited in surplus and deficit.

b. Financial liabilities

i. Initial recognition and measurement

Financial liabilities within the scope of IPSAS 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 that are not designated as hedging instruments in hedge relationships as defined by IPSAS 29.

Gains or losses on liabilities held for trading are recognized in surplus or 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 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 ask price for short positions), without any deduction for transaction costs.

e. Derivative financial instruments

i. 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.

3.3 *Cash and Cash Equivalents*

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.

3.4 *Inventories*

Inventory is measured at cost upon initial recognition. To the extent that inventories 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.

3.5 *Investment Property*

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 is measured using the cost model and are depreciated over their estimated useful life.

Investment properties 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.

3.6 *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:

i. tangible items;

ii. are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and

iii. are expected to be used during more than one reporting period.

An item of PPE is recognized as an asset if:

i. it is probable that future economic benefits or service potential associated with the item will flow to the entity;

ii. the cost or fair value of the item can be measured reliably; and

iii. the cost is at least P15,000.

b. Measurement at recognition

An item recognized as PPE 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. 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 when 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 15^{th} of the month. However, if the PPE is available for use after the 15^{th} 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, as follows:

Building and structures	- 30 years
Medical equipment	- 10 years
Furniture and fixtures	- 10 years
Machineries	- 10 years
Motor vehicles	- 7 years
Office equipment	- 5 years
Library books	- 5 years

iv. Residual value

The CCP uses a residual value equivalent to at least five per cent (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.

3.7 *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 straight-line 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.

3.8 *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 in 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.

3.9 *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. Non-monetary 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. Non-monetary 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.

3.10 *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:

- 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.

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.

d. 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.

3.11 *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.

3.12 *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.

3.13 *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 loss 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 of 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.

3.14 *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.

3.15 *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.

3.16 *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.

3.17 *Measurement Uncertainty*

The preparation of financial statements in conformity with IPSASs 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 financial statements and the reported amounts of the revenue and expenses during the period. Items requiring the use of significant estimates include 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.

4. PRIOR PERIOD ADJUSTMENTS

4.1 *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 P2,447,001, 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.

4.2 *Due to Prior Period Errors*

Prior period errors include over-setup of receivables, restoration of cash due to 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 in *Note 19*.

5. 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, its objectives, policies and processes for measuring and managing risk, and its management of capital.

5.1 *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 Statement of Financial Position, as summarized below.

	Note	2019	2018
Financial assets			
Cash and cash equivalents	*6*	288,375,878	233,021,300
Financial assets	*7*	576,087,796	481,314,929
Receivables	*8*	47,309,810	111,176,964
		911,773,484	**825,513,193**
Financial liabilities			
Financial liabilities	*13*	216,115,292	180,134,804
Inter-agency payables	*14*	17,930,406	6,512,651
Trust liabilities	*15*	183,883,765	152,086,293
		417,929,463	**338,733,748**

5.2 *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 credit worthy 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. Credit risk exposure

The table below shows the gross maximum exposure to credit risk of the CCP as of the years ended December 31, 2019 and 2018, without considering the effects of credit risk mitigation techniques.

	Note	2019	2018
Financial assets			
Cash and cash equivalents	*6*	288,375,878	233,021,300
Financial assets	*7*	576,087,796	481,314,929
Receivables*	*8*	125,302,273	188,351,924
		989,765,947	**902,688,153**

**Receivables at gross of allowance for impairment amounting to P77,992,463 and P77,174,960 for the years ended December 31, 2019 and 2018, 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 Center 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 through 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 through 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.

c. 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.

d. 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.

e. Aging analysis

An aging analysis of the CCP's receivables as of the years ended December 31, 2019 and 2018 is as follows:

	2019	**2018**
Outstanding receivables:*		
Current accounts	3,360,942	11,443,233
Past due accounts:		
1 – 30 days past due	11,502,591	2,301,272
31 – 60 days past due	3,623,256	2,647,051
over 60 days past due	106,815,484	171,960,368
	125,302,273	**188,351,924**

**Receivables at gross of allowance for impairment amounting to P77,992,463 and P77,174,960 for the years ended December 31, 2019 and 2018, respectively.*

f. 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.

5.3 *Liquidity Risk*

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

a. Management of liquidity risk

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. Exposure to liquidity risk

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. The total liabilities of CCP are due and demandable within 12 months as at December 31, 2019.

5.4 ***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.

5.5 ***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.

6. CASH AND CASH EQUIVALENTS

This account consists of the following:

	2019	2018
Cash on hand	2,119,471	724,427
Cash in bank - local currency	282,525,998	229,464,966
Cash in bank - foreign currency	3,730,409	2,831,907
	288,375,878	**233,021,300**

Cash on hand consists of undeposited collections of Cash Collecting Officers and Petty Cash Fund. Cash in bank-local currency consist of current accounts while cash in bank - foreign currency is the savings account for dollar account maintained at the LBP.

7. FINANCIAL ASSETS

This account consists of the following:

	2019			2018		
	Current	Non-Current	Total	Current	Non-Current	Total
Financial assets - held to maturity	524,991,626	-	524,991,626	428,685,331	-	428,685,331
Other investments	51,096,170	-	51,096,170	31,041,148	21,588,450	52,629,598
	576,087,796	**-**	**576,087,796**	**459,726,479**	**21,588,450**	**481,314,929**

a. Financial assets- held to maturity

This account consists of money market placements with the LBP maturing beyond ninety (90) days but within one year from date of placement.

b. Financial assets - other investments

This account includes Investment in Time Deposit maturing beyond ninety (90) days but within one year from date of placement, as well as the value of shares of stocks, stated at cost, acquired by the Center from mining, oil and industrial companies/enterprises previously recorded under non-current investment in calendar year (CY) 2018.

7.1 Current - Financial Assets

Current Financial Assets
As at December 31, 2019

	Held to maturity	Other investments	Total
Beginning balance as at January 1, 2019	428,685,331	31,041,148	459,726,479
Fair value increase	96,306,295	-	96,306,295
Reclassification from a different class of investment	-	21,588,450	21,588,450
Total	524,991,626	52,629,598	577,621,224
Less: Fair Value decrease	-	(1,533,428)	(1,533,428)
Balance as at December 31, 2019	**524,991,626**	**51,096,170**	**576,087,796**

Current Financial Assets
As at December 31, 2018

	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
Total	428,685,331	31,041,148	459,726,479
Less: Investments sold/collected	-	-	-
Balance as at December 31, 2018	**428,685,331**	**31,041,148**	**459,726,479**

7.2 Non-current - Financial Assets

This account represents the value of shares of stocks, stated at cost, acquired by the Center from mining, oil and industrial companies/enterprises which was reclassified in CY 2019 to Current-Financial Asset.

Non-Current Financial Assets & Investments
Other Investments

	2019	2018
Beginning balance as at January 1 (as restated)	**21,588,450**	**25,199,501**
Less: Investments sold/collected	-	-
Reclassification from a different class of investment	(21,588,450)	-
Gain or loss on fair market valuation	-	(3,611,051)
Balance as at December 31	**-**	**21,588,450**

8. RECEIVABLES

This account consists of the following:

	2019	2018 (As restated)
Loans and receivable accounts- net	6,577,077	8,696,475
Lease receivable - net	11,757,729	9,451,662
Inter-agency receivables	12,413,733	83,988,944
Other receivables	16,561,271	9,039,883
	47,309,810	**111,176,964**

8.1 Loans and receivable accounts

	2019	2018 (As restated)
Accounts receivable	6,794,000	9,046,836
Allowance for impairment - accounts receivable	(3,577,865)	(3,239,744)
Net value- Accounts receivable	**3,216,135**	**5,807,092**
Notes receivable	59,147,027	59,147,027
Allowance for impairment - notes receivable	(59,147,027)	(59,147,027)
Net value - Notes receivable	**-**	**-**
Interest receivable	3,360,942	2,889,383
Allowance for impairment - interest receivable	-	-
Net value - Interest receivable	**3,360,942**	**2,889,383**
	6,577,077	**8,696,475**

a. Account receivable

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

b. Notes receivable

The Notes Receivable account represents the outstanding and overdue principal of promissory notes executed by various clients from 1977 to 1978 in favor of the CCP amounting to P8.972 million as well as the interest and surcharges that accrued to the said instruments up to 1999 amounting to P50.175 million.

These accounts were referred to the Office of the Government Corporate Counsel (OGCC) for collection purposes through judicial or extra-judicial processes. Appropriate charges were filed in proper courts, and in some cases, the CCP 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 CCP’s claim from these debtors, said receivables are now considered as doubtful accounts, thus a 100 per cent 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.

8.2 Lease receivables

	2019	2018 (As restated)
Operating lease receivable	24,267,070	21,511,399
Allowance for impairment - Operating lease receivable	(12,509,341)	(12,059,737)
Net value- Operating lease receivable	**11,757,729**	**9,451,662**

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

8.3 Inter-agency receivable

	2019	2018 (As restated)
Due from national government agencies	12,222,770	83,797,981
Due from government corporations	190,963	190,963
	12,413,733	**83,988,944**

a. Due from national government agencies (NGAs)

This account includes receivables from the Bureau of Internal Revenue (BIR), 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 (GSIS), Home Development Mutual Fund and Philippine Health Insurance Corporation representing over-remittance of premiums and loan amortizations and insurance claims for the CCP's motor vehicles. It also includes the receivable of P50,000 from Bangko Sentral ng Pilipinas (BSP) representing its share in the cost of road upkeep for 1981.

8.4 Other receivables

	2019	2018 (As restated)
Receivables-disallowances/charges	3,202,536	3,202,536
Due from officers and employees	90,359	188,380
Due from non-government organizations/people's organizations	12,591,701	4,925,129
	15,884,596	8,316,045
Other receivables	3,434,905	3,452,290
Allowance for impairment- other receivables	(2,758,230)	(2,728,452)
	676,675	723,838
	16,561,271	**9,039,883**

a. Receivables-disallowances/charges

This account represents Notices of Disallowance issued by the Commission on Audit (COA) on various payments made by the CCP. 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/people's organizations

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

d. Other receivables

Lodged under this account are receivables/advances as follows:

	2019	**2018 (As restated)**
Gloriamaris' account	107,184	107,184
Others:		
Agencies/corporations	1,986,800	2,022,123
Advances	636,604	636,604
Employees	411,824	393,886
Individuals	260,362	260,362
Vicor Music Corporation	32,131	32,131
Total	3,434,905	3,452,290
Allowance for impairment- other receivable	(2,758,230)	(2,728,452)
	676,675	**723,838**

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

Other receivables-advances represent advances made by the CCP 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.

8.5 Aging analysis of receivables

	Total	Not past due	Past Due <30 days	30-60 days	>60 days
Accounts receivable	6,794,000		638,750	173,244	5,982,006
Notes receivable	59,147,027				59,147,027
Interest receivable	3,360,942	3,360,942			
Lease receivable	24,267,070		5,048,762	370,491	18,847,817
Inter-agency receivable	12,413,733		5,815,079	3,079,521	3,519,133
Other receivables	19,319,501				19,319,501
	125,302,273	**3,360,942**	**11,502,591**	**3,623,256**	**106,815,484**

9. INVENTORIES

	2019	2018 (As restated)
Inventory held for sale		
Carrying amount, January 1	12,452,226	7,645,295
Additions/acquisitions during the year	238,863	4,806,931
Expensed during the year	-	-
Carrying amount, December 31	12,691,089	12,452,226
Inventory held for consumption		
Carrying amount, January 1	811,077	750,991
Additions/acquisitions during the year	3,423,807	2,806,562
Expensed during the year	(3,094,525)	(2,746,476)
Carrying amount, December 31	1,140,359	811,077
	13,831,448	**13,263,303**

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. Inventory held for sale account is composed of all publications that are for sale by CCP which includes the Encyclopedia of Philippine Arts, Ani Series and others.

10. INVESTMENT PROPERTY

This account consists of parcels of land being leased for income generation reclassified in 2019 to Investment Property amounting to P240.382 million.

11. PROPERTY, PLANT AND EQUIPMENT– NET

This account consists of the following:

As at December 31, 2019

	Land	Land Improvement	Infrastructure Assets	Building and Other Structures	Machinery & Equipment	Total
Carrying amount, January 1, 2019 as restated	**796,386,550**	**37,952,535**	**29,199,547**	**149,003,146**	**207,642,616**	**1,220,184,394**
Additions/Acquisitions	-	339,898	-	4,845,664	89,400,269	94,585,831
Total	**796,386,550**	**38,292,433**	**29,199,547**	**153,848,810**	**297,042,885**	**1,314,770,225**
Disposals	-	-	-	-	(475,012)	(475,012)
Reclassification to proper accounts	(240,382,163)	-	-	(2,282,069)	(98,340)	(242,762,572)
Depreciation	-	(4,138,907)	(1,498,126)	(10,355,242)	(15,707,653)	(31,699,928)
Impairment loss	-	-	-	-	-	-
Carrying amount, December 31, 2019	**556,004,387**	**34,153,526**	**27,701,421**	**141,211,499**	**280,761,880**	**1,039,832,713**

Gross Cost	**556,004,387**	**112,590,689**	**33,291,688**	**735,123,364**	**542,321,541**	**1,979,331,669**
Accumulated depreciation	-	(78,437,163)	(5,590,267)	(593,911,865)	(261,559,661)	(939,498,956)
Accumulated impairment losses	-	-	-	-	-	-
Carrying amount, December 31, 2019	**556,004,387**	**34,153,526**	**27,701,421**	**141,211,499**	**280,761,880**	**1,039,832,713**

As at December 31, 2018

	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**	**141,693,188**	**172,164,345**	**1,182,304,118**
Additions/Acquisitions	-	954,399	-	17,663,444	50,166,292	**68,784,135**
Total	**796,386,550**	**42,316,762**	**30,697,672**	**159,356,632**	**222,330,637**	**1,251,088,253**
Disposals	-	-	-	-	(518,516)	(518,516)
Depreciation	-	(4,364,227)	(1,498,125)	(10,353,486)	(14,169,505)	(30,385,343)
Impairment loss	-	-	-	-	-	**-**
Carrying amount, December 31, 2018, As restated	**796,386,550**	**37,952,535**	**29,199,547**	**149,003,146**	**207,642,616**	**1,220,184,394**

Gross Cost	**796,386,550**	**112,250,791**	**33,291,688**	**732,559,768**	**458,117,853**	**2,132,606,650**
Accumulated depreciation	-	(74,298,256)	(4,092,141)	(583,556,622)	(250,475,237)	(912,422,256)
Accumulated impairment losses	-	-	-	-	-	-
Carrying amount, December 31, 2018, As restated	**796,386,550**	**37,952,535**	**29,199,547**	**149,003,146**	**207,642,616**	**1,220,184,394**

11.1 Land

The Center has a total of 389,283.88 square meters of land which consist of the following:

	Number of square meters	Price per square meter	Cost
Reclaimed area	299,164.696	1,000.00	299,164,696
Manila Film Center area	90,119.190	2,850.00	256,839,691
	389,283.886		**556,004,387**

The reclaimed area which was assigned to the CCP pursuant to Presidential Decree (PD) Nos. 15 and 774, dated October 5, 1972 and August 22,1975, respectively, already excluded the following: (a) land area occupied by the Philippine International Convention Center (PICC) - this was sold to the BSP; (b) land area covering Philcite - this was transferred to the Philippine National Bank; and (c) land areas covering the Philippine Plaza Hotel, Gloriamaris Restaurant and the Tahanang Pilipino - these were transferred to the GSIS in settlement of the CCP's outstanding obligations.

The land where the Manila Film Center (MFC) is situated was assigned to the CCP by the Public Estates Authority (PEA) in 1985 pursuant to Letter of Instruction (LOI) No. 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 CCP.

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

- Folk Arts Theater (FAT) Access road
- PICC FAT Main Road
- PICC FAT Perimeter road
- Spine Road
- MFC Main road
- MFC Access road

The CCP upon acceptance and recognizing in its books of accounts 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.

11.2 Buildings and other structures

The CCP owns buildings and structures, including a water reservoir and conduits with a carrying amount of P141 million.

11.3 Machinery and equipment

The account of Furniture and Equipment includes a list of PPE that are already idle, unserviceable and fully depreciated amounting to P191.230 million as submitted in 2017 to the COA for dropping from the books of accounts. The amount of P191.230 million is already net of the reclassifications made to Expense/Accumulated Surplus/(Deficit) in compliance with COA Circular No. 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 Section 40(d), Chapter 10 of the Government Accounting Manual (GAM), Volume I, 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 million. 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.

12. OTHER ASSETS

12.1 Other current assets

	2019	2018 (As restated)
Advances	1,531,979	1,044,849
Prepayments	47,972,094	35,279,411
Deposits	942,706	744,690
Other assets	227,510	227,510
	50,674,289	**37,296,460**

Major portion of this account represents unexpired insurance premiums on policies covering the CCP'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:

	2019
Input tax, beginning	15,033,871
Add: Input tax for the year	15,090,968
Total	30,124,839
Less: Output tax offset	(15,868,116)
	14,256,723

12.2 Other Non-current Assets

This account is used to recognize assets not falling under any of the specific asset accounts used in the books of accounts of CCP.

13. FINANCIAL LIABILITIES

This account consists of the following:

	2019	2018 (As restated)
Payables	215,709,638	179,729,150
Tax refund payable	405,654	405,654
	216,115,292	**180,134,804**

13.1 Payables

This account represents accrued expenses classified as follows:

	2019	2018 (As restated)
Accounts payable	200,156,546	171,268,702
Due to officers and employees	15,553,092	8,460,448
	215,709,638	**179,729,150**

a. Accounts payable

The Accounts Payable account is composed of the following:

- 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.

- Unliquidated obligations/vouchers represent unpaid amount to suppliers and service providers for various goods already delivered and services rendered as of December 31, 2019.

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.

13.2. Tax refunds payable

	2019	2018
Tax refunds payable	405,654	405,654
	405,654	**405,654**

Tax Refunds Payable account is used to recognize amount refundable to taxpayers for excess amount paid/withheld. As of December 31, 2019, the balance represents unclaimed tax refunds of resigned/retired employees pending the completion of their clearances/documents required for terminal pay.

14. INTER-AGENCY PAYABLES

This account consists of the following:

	2019	2018 (As restated)
Due to Bureau of Internal Revenue (BIR)	3,672,373	2,789,830
Due to Government Service Insurance System (GSIS)	3,299,524	3,108,980
Due to Home Development Mutual Fund (Pag-IBIG)	396,628	395,500
Due to Philippine Health Insurance Corporation (PhilHealth)	247,026	218,341
Income tax payable	10,314,855	-
	17,930,406	**6,512,651**

14.1 Due to BIR

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

14.2 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.

15. TRUST LIABILITIES

This account consists of the following:

	2019	2018 (As restated)
Trust liabilities	77,060,173	71,660,035
Guaranty/security deposits payable	26,923,418	20,187,234
Customer's deposits payable	79,900,174	60,239,024
	183,883,765	**152,086,293**

15.1 Trust liabilities

The Trust Liabilities account represents collection from different government and private entities for various projects of the CCP 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 the Treasury in 2009 for the settlement of liability of the Republic of the Philippines to Republic Real Estate Corporation (RREC) amounting to P41.790 million. In 2009, the Court of Appeals (CA) issued a decision allowing the NG and CCP to consign the said funds with the courts. A Motion for Execution of the said CA decision was already filed by CCP with trial court, but was denied. In June 2016, the Petition for Review filed by RREC was denied upholding the CA's Decision in 2009 and Resolution in 2013.

15.2 Guaranty/security deposits payable

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

15.3 Customer's deposits payable

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 CCP which were not yet remitted to the producers.

16. DEFERRED CREDITS/UNEARNED INCOME

This account consists of the following:

	2019	2018 (As restated)
Other deferred credits	7,143,139	9,015,068
Unearned revenue/income	4,201,093	3,666,925
	11,344,232	**12,681,993**

The account includes income collected but not yet recognized as revenue by the CCP 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 per cent 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.

17. OTHER PAYABLES

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

	2019	2018 (As restated)
Other payables - staled checks	2,848,667	2,558,612
Other payables – miscellaneous	1,259,547	1,020,317
	4,108,214	**3,578,929**

18. GOVERNMENT EQUITY

Government equity amounting to P1,567,900,488 pertains to the equity contribution of the NG for CCP.

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

19. ACCUMULATED SURPLUS/(DEFICIT)

	Amount
Accumulated surplus, January 1, 2018	794,255,294
Adjustments due to prior period errors	(692,569,250)
Accumulated surplus, January 1, 2018, As restated	**101,686,044**
Surplus from operations for 2018, as previously stated	71,754,081
Accumulated surplus, December 31, 2018, As restated	**173,440,125**
Surplus for 2019	81,849,508
Accumulated surplus, December 31, 2019	**255,289,633**

This account 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

This account consists of the following:

	2019	2018 (As restated)
Service income		
Other service income	3,407,179	2,021,212
Total service income	**3,407,179**	**2,021,212**

	2019	2018 (As restated)
Business income		
Seminar/training fees	3,557,518	1,121,521
Rent/lease income	181,824,663	166,186,855
Seaport system fees	1,520,343	977,052
Landing and parking fees	21,663,722	28,092,114
Income from printing and publication	24,259,556	5,700,234
Dividend income	-	-
Interest income	20,559,048	11,820,437
Fines and penalties- business income	62,782	63,484
Admission fees	111,205	126,421
Other business income	26,036,579	24,293,998
Total business income	**279,595,416**	**238,382,116**
	283,002,595	**240,403,328**

21. SHARES, GRANTS AND DONATIONS

	2019	2018 (As restated)
Income from grants and donations in cash	621,387	626,556
Income from grants and donations in kind	-	3,600,000
	621,387	**4,226,556**

22. PERSONNEL SERVICES

This line item consists of:

	2019	2018 (As restated)
Salaries and wages	134,843,989	122,097,068
Other compensation	48,155,474	42,262,389
Personnel benefit contributions	17,858,270	16,419,497
Other personnel benefits	14,224,258	6,903,609
	215,081,991	**187,682,563**

22.1 Salaries and wages

	2019	2018
Salaries and wages- regular	134,146,705	121,466,468
Salaries and wages- casual/contractual	697,284	630,600
	134,843,989	**122,097,068**

22.2 Other compensation

	2019	2018 (As restated)
Other bonuses and allowances	20,992,291	16,577,973
Year-end bonus	11,341,116	10,172,950
Personnel economic relief allowance (PERA)	6,236,634	6,231,643
Representation allowance (RA)	2,598,375	2,496,500
Transportation allowance (TA)	2,361,076	2,267,279
Clothing/uniform allowance	1,554,000	1,566,000
Cash gift	1,312,500	1,302,000
Productivity incentive allowance	1,299,500	1,002,500
Overtime and night pay	438,532	433,494
Subsistence allowance	17,100	18,450
Laundry allowance	4,350	3,600
Longevity pay	-	190,000
	48,155,474	**42,262,389**

22.3 Personnel benefit contributions

	2019	2018
Retirement and life insurance premiums	15,896,251	14,489,857
PhilHealth contributions	1,341,119	1,307,240
Pag-IBIG contributions	310,500	311,200
Employees' compensation insurance premiums	310,400	311,200
	17,858,270	**16,419,497**

22.4 Other personnel benefits

	2019	2018 (As restated)
Other personnel benefits	7,922,318	6,541,183
Terminal leave benefits	6,301,940	362,426
	14,224,258	**6,903,609**

22.5 Employees future benefits

The permanent employees of the CCP contribute to the GSIS in accordance with Republic Act (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 nine (9) per cent of the basic salaries of regular government employees.

23. MAINTENANCE AND OTHER OPERATING EXPENSES

This line item consists of:

	2019	2018 (As restated)
Other maintenance and operating expenses	166,652,838	83,722,800
General services	82,506,121	69,376,263
Utility expenses	41,059,643	43,698,801
Professional services	11,533,270	11,184,426
Repairs and maintenance	8,343,177	17,579,519
Supplies and materials expenses	7,008,480	7,340,367
Taxes, insurance premiums and other fees	6,318,358	5,497,212
Communication expenses	2,900,050	2,810,489
Training and scholarship expenses	620,369	446,111
Travelling expenses	398,680	539,037
	327,340,986	**242,195,025**

23.1 Other maintenance and operating expenses

	2019	2018 (As restated)
Advertising, promotional and marketing expenses	424,477	230,908
Printing and publication expenses	936,981	1,048,847
Representation expenses	957,642	998,495
Rent/lease expenses	441,319	413,193
Membership dues and contributions to organizations	64,180	77,909
Subscription expenses	220,764	144,335
Other maintenance and operating expenses	163,607,475	80,809,113
	166,652,838	**83,722,800**

23.2 General services

	2019	2018 (As restated)
Environment/sanitary services	790,685	670,445
Janitorial services	18,742,553	12,780,337
Security services	28,976,397	26,051,564
Other general services	33,996,486	29,873,917
	82,506,121	**69,376,263**

23.3 Utility expenses

	2019	2018 (As restated)
Water expenses	8,589,371	10,419,477
Electricity expenses	32,470,272	33,279,324
	41,059,643	**43,698,801**

23.4 Professional services

	2019	2018 (As restated)
Legal services	144,000	128,572
Auditing services	3,435,961	3,209,349
Other professional services	7,953,309	7,846,505
	11,533,270	**11,184,426**

23.5 Repairs and maintenance

	2019	2018 (As restated)
Repairs and maintenance-land improvements	547,103	1,649,474
Repairs and maintenance-buildings and other structures	5,923,244	14,777,752
Repairs and maintenance-machinery and equipment	908,041	576,418
Repairs and maintenance-transportation equipment	474,179	353,034
Repairs and maintenance-furniture and fixtures	204,576	88,047
Repairs and maintenance-other PPE	286,034	134,794
	8,343,177	**17,579,519**

23.6 Supplies and materials expenses

	2019	2018 (As restated)
Other supplies and materials expenses	3,290,232	2,736,281
Office supplies expenses	1,767,102	2,311,577
Semi-expendable furniture, fixtures and books expenses	680,075	1,036,787
Fuel, oil and lubricants expenses	924,164	890,255
Semi-expendable machinery and equipment expenses	328,847	292,410
Accountable forms expenses	18,060	71,744
Medical, dental and laboratory supplies expenses	-	1,313
	7,008,480	**7,340,367**

23.7 Taxes, insurance premiums and other fees

	2019	2018 (As restated)
Taxes, duties and licenses	4,167,740	2,781,977
Fidelity bond premiums	237,315	174,997
Insurance expenses	1,913,303	2,540,238
	6,318,358	**5,497,212**

23.8 Communication expenses

	2019	2018 (As restated)
Postage and courier services	33,390	37,632
Telephone expenses	2,029,660	2,001,428
Internet subscription expenses	837,000	771,429
	2,900,050	**2,810,489**

23.9 Training and scholarship expenses

	2019	2018 (As restated)
Training expenses	620,369	446,111
	620,369	**446,111**

23.10 Travelling Expenses

	2019	2018 (As restated)
Travelling expenses-local	200,367	254,078
Travelling expenses-foreign	198,313	284,959
	398,680	**539,037**

24. FINANCIAL EXPENSES

This account consists of the following:

	2019	2018 (As restated)
Bank charges	438,129	387,464
Other financial charges	187,898	-
	626,027	**387,464**

25. NON-CASH EXPENSES

This account consists of the following:

	2019	2018 (As restated)
Depreciation	31,699,928	30,385,343
Impairment loss	817,502	1,278,991
	32,517,430	**31,664,334**

26. OTHER NON-OPERATING INCOME, GAINS AND LOSSES

This line item consists of the following:

26.1 Other non-operating income

	2019	2018 (As restated)
Miscellaneous income	1,721,999	1,413,128
	1,721,999	**1,413,128**

26.2 Gains

	2019	2018
Gain on foreign exchange (FOREX)	-	1,733,133
Gain from changes in fair value of investment property	22,967	19,516
	22,967	**1,752,649**

26.3 Losses

	2019	2018
Loss on foreign exchange (FOREX)	788,881	-
Loss on sale of properties	295,647	
Loss from changes in fair value of financial instruments	1,031,767	3,630,566
	2,116,295	**3,630,566**

27. INCOME TAX EXPENSE

This account represents the estimated income tax payable of CCP for the taxable year 2019 to be paid on or before April 15, 2020.

Total Taxable income	
Service and business income	283,002,595
Other operating income	1,721,999
Total Taxable income	284,724,594
Less: Taxable expenses	
Personnel services	215,081,991
Financial expenses	626,027
Non-cash expenses	32,517,430
Losses	2,116,295
Total Taxable expenses	250,341,743
Net Taxable income	34,382,851
Tax rate	30%
	10,314,855

28. SUBSIDY FROM NATIONAL GOVERNMENT

This account consists of the following:

	2019	2018 (As restated)
Subsidy from national government	398,788,144	298,058,372
Less: Financial assistance to NGOs/POs	(14,310,000)	(8,540,000)
	384,478,144	**289,518,372**

29. NON-CASH INCOME

During the year, the CCP 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 P53.626 million.

30. RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO SURPLUS/(DEFICIT)

	2019	2018
Surplus/(Deficit) for the year	81,849,508	71,754,081
Non-cash income/expenses:		
Depreciation	31,699,928	30,385,343
Increase in impairment losses	817,502	1,278,991
Losses on sale of property, plant & equipment	295,647	-
Increase in investments due to revaluation	(979,435)	(1,991,629)
Decrease investments due to revaluation	1,031,767	3,630,566
Increase in current liabilities	78,387,239	35,508,005
Decrease in current assets	29,866,158	16,873,424
Net cash flows from operating activities	**222,968,314**	**157,438,781**

31. RELATED PARTY TRANSACTIONS

31.1 Related Party Transactions

The Center does not have dealings with related parties involving transfer of resources and obligations.

31.2 Key Management Personnel

The key management personnel of the CCP are the Chairperson and the Members of the Governing Board, and the Principal Officers. The Governing Body consists of members appointed by the President of the Philippines. The Principal Officers consist of the President, Vice Presidents for Administration and Artistic Sectors.

32. BUDGET INFORMATION IN FINANCIAL STATEMENTS

The *original budget* reflected in the SCBAA for the year ended December 31, 2019 is the proposed Corporate Operating Budget (COB) for the year 2019 and was submitted to the Department of Budget and Management (DBM) for review/evaluation while the *final budget* is the amount as approved by DBM on December 5, 2019. The proposed/original COB is prepared considering: (a) the Center's various programs, projects and activities in pursuance of its mandate; (b) the projected revenues and other sources of income to finance and support these programs; (c) actual expenses on previous years; and (d) effects of inflation. Aside from the COB, the CCP had received subsidy appropriated for the implementation of programs.

Changes between the original and final budget are due to the following:

a. The Center's revenue target for CY 2019 amounted to P278.900 million as submitted and approved by the DBM. Actual revenue recognized for the year amounted to P315.970 million.

b. The approved budget amount of P1.465 billion was sourced from the Center's corporate fund, current year subsidy, Tobacco Inspection Fee and prior year's continuing appropriation.

c. Material differences between the actual expenses as against the budget pertained to the following:

- Personnel services – pertained to unfilled positions as of the reported year.

- Maintenance and Other Operating Expenses – favorable results achieved from the cost cutting measures it had implemented during the year resulting to a variance of P76.972 million.

- Capital Outlay – to be collected in the succeeding years since the release of the funds from DBM for Capital Outlay items are dependent upon the submission of billing statements, contracts and purchase orders.

33. SUPPLEMENTARY TAX INFORMATION UNDER REVENUE REGULATION NO. 15-2010

The Center has paid and/or accrued the following types of taxes for 2019.

33.1 Value Added Tax (VAT)

Details of the CCP's net sales/receipts, output VAT and input VAT accounts are as follows:

Net Revenues/Receipts and Output VAT declared in the CCP's VAT returns filed for the period –

	2019	2018
Sales of services	254,566,248	215,855,026
VAT exempt sales	479,064,804	365,489,364
Total gross receipts	733,631,052	581,344,390
Less: VAT exempt sale	(479,064,804)	(365,489,364)
Total vatable gross receipts	254,566,248	215,855,026
Multiply by: Tax rate	12%	12%
Total output tax for the year	**30,547,950**	**25,902,603**

	2019	2018
Input		
Beginning of the year		
Current year's purchase/payments for:		
Goods other than for resale or manufacture	2,732,502	4,708,688
Services lodged under other accounts	8,734,749	10,768,609
Balance at the end of the year	**11,467,251**	**15,477,297**

	2019	2018
Output VAT declared for the year	30,547,950	25,902,603
Less: Balance of input VAT at the end of the year	11,467,251	15,477,297
Total	19,080,699	10,425,306
Value Added Tax payable for the year		
Less: VAT Payments for the current year		
1st Quarter	1,822,517	1,656,896
2nd Quarter	1,389,251	1,455,235
3rd Quarter	6,985,644	2,080,993
October and November	4,703,683	2,455,569
VAT withheld on sales to government	625,000	484,682
VAT payable	**3,554,604**	**2,291,931**

33.2 Taxes and licenses

This includes all other taxes, local and national, including licenses and permit fees lodged under the ‘Taxes, insurance premiums and other fees’ account under the ‘Maintenance and Other Operating Expenses’ section in the Statement of Financial Performance:

	Amount Paid
Local	69,032
Licenses	72,218
National	4,404,873
BIR annual registration fee	500
	4,546,623

33.3 Withholding taxes

The amount of withholding taxes paid/accrued for the year amounted to:

Tax on compensation and benefits	16,372,365
Creditable withholding taxes	9,523,898
Final withholding taxes	933,483
Withholding percentage taxes	1,892,917
Withholding VAT	11,620,540
	40,343,203

Adjustments in the balances of taxes payable reflected in the trial balance as of December 31, 2019 are to be effected in 2020 to reflect the correct tax dues and remittance in 2019.

34. COMPLIANCE WITH GSIS LAW, RA NO. 8291

The CCP complied with Section 14.1 of RA No. 8291 which provides that each government agency shall remit directly to the GSIS the employees' and government agency's contributions within the first ten days of the calendar month following the month to which the contributions apply. For CY 2019, the CCP collected and remitted the employees' premium contributions and employer's shares in the amount of P27.648 million.