

CULTURAL CENTER OF THE PHILIPPINES NOTES TO FINANCIAL STATEMENTS

(All amounts in Philippine Pesos unless otherwise stated)

1. GENERAL INFORMATION

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting system

The CCP uses the accrual basis of accounting wherein income and expenses are recognized and recorded in the books of accounts at the time they are earned and incurred.

2.2 Maintenance of books of accounts

A single set of books is being maintained for the Center Main, the National Arts Center (NAC) and the Folk Arts Theater (FAT).

2.3 Valuation of receivables

Receivables are valued based on the estimated realizable amount. Thus, provision for doubtful accounts using the allowance method was adopted.

2.4 Valuation of investments

Short-term investments and investments in long-term commercial papers are recorded at face value while investments in stocks are recorded at cost.

2.5 Valuation of property, plant and equipment

With the exception of land, the property, plant and equipment (PPE) of the Center are recorded at cost. Land is recorded at P1,000 per square meter which was the prevailing value at the time it was booked-up. However, the land encompassing the Manila Film Center with a total land area of 101,523 square meters which was acquired under Letter of Instruction 1411 was booked up at P2,850 per square meter. Moreover, maintenance, repairs and minor improvements are charged to operations, while major improvements are capitalized.

Depreciation is provided on all PPE except land, using the straight-line method of computation based on the estimated useful lives of the assets less 10 per cent salvage value.

2.6 Inventory pricing

Inventories are stated at historical cost on a moving average method following a perpetual inventory system. The balances of inventories are checked by a periodic inventory count following the perpetual inventory system.

3. CASH AND CASH EQUIVALENTS

This account consists of the following:

Particulars	2013	2012
Cash in Bank	99,954,324	88,155,906
Cash- Collecting Officers	9,319,503	355,865
Payroll Fund	10,993	10,993
Working Fund	6,677	57,410
Petty Cash Fund	2,955	2,955
Modified disbursement system account	390	390
Cash Equivalent Investments:		
High Yield Savings Deposit	39,702,728	62,686,931
Total Cash and Cash Equivalents	148,997,570	151,270,450

Cash-collecting officers consists of undeposited collections while Working fund represents cash advance for salaries and wages and other benefits of officers and employees. All of the cash equivalent investments will mature within ninety days from date of placements.

4. SHORT-TERM INVESTMENTS

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 amounting to P151.89 million.

5. RECEIVABLES - NET

The following comprise the outstanding receivables of the Center:

Particulars	2013	2012
Accounts Receivable	6,014,006	11,440,807
Notes Receivable	59,147,027	59,147,027
Due from Officers and Employees	159,513	94,589
Advances to Officers and Employees	765,126	1,616,333
Interest Receivable	219,909	422,521
Due from National Gov't. Agencies	2,655,430	2,708,193
Due from GOCCs	190,963	190,963
Due from Local Gov't Units	16,187,822	16,187,822
Receivables-Disallowances/Charges	3,434,303	3,203,664
Other Receivables	28,523,643	24,563,460
Total	117,297,742	119,575,379
Less: Allowance for Doubtful Accounts	94,778,261	77,248,154
Receivables - Net	22,519,481	42,327,225

5.1 Accounts receivable

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

5.2 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.

5.3 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.

5.4 Advances to officers and employees

This account represents amounts granted to accountable officers and employees for special purpose/time-bound undertakings/projects.

5.5 Interest receivable

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

5.6 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.

5.7 Due from government-owned and/or controlled corporations (GOCCs)

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.

5.8 Due from local government units (LGUs)

This account represents the unremitted 30 percent share of the Center from the Cultural Development Tax which was levied by the Metro Manila Development Authority (MMDA) up to the year 1993 on all admission tickets in all movie houses in Metro Manila.

The Center upon the mutual agreement with the prior officer of MMDA has agreed that payment will be made upon the sale of Julia Vargas property of MMDA. In May 20, 2011, unknown by the Center, MMDA, in compliance with COA regulations on dormant accounts, returned to the Bureau of Treasury the amount of P15.65 million representing the Centers claim. Having come to these knowledge, the Center has asked MMDA to request the Bureau of Treasury a certification of the said returned and to request the Department of Budget and Management to include the said claim in their budget for the following year so that payment to CCP can be made.

At present, the Bureau of Treasury has already issued the said certification and the Center is now following up the letter of MMDA to the DBM.

5.9 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.

5.10 Other receivables - net

Lodged under this account are receivables/advances as follows:

Particulars	2013	2012
Concessionaires	21,668,080	20,977,259
Gloriamaris Account	107,184	107,184
Others:		
Agencies/Corporations	4,972,546	2,007,753
Advances	874,780	874,780
Employees	304,435	306,889
Individuals	564,487	257,464
Vicor Music Corporation	32,131	32,131
Total	28,523,643	24,563,460
Allowance for Doubtful Accounts	15,026,183	13,353,599
Others receivables - net	13,497,460	11,209,861

Other receivables - concessionaires arises from unpaid rentals, maintenance and utilities due from the concessionaires of the Center.

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.

6. INVENTORIES

Included under this account are the following items:

Particulars	2013	2012
Other Supplies Inventory	6,320,881	6,317,653
Merchandise Inventory	1,614,092	1,614,092
Office Supplies Inventory and Accountable Forms Inventory	175,621	144,607
Total Inventories	8,110,594	8,076,352

7. OTHER CURRENT ASSETS

Particulars	2013	2012
Guaranty Deposit	897,160	564,147
Advances to Contractors		446,068
Prepaid Insurance	337,073	427,484
Deferred Charges	227,510	227,510
Other Prepaid Expenses		
Input Tax	2,668,488	682,668
Total Other Current Assets	4,130,231	2,347,877

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 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	2013
Input tax, beginning	682,668
Add: Input Tax for the year	12,751,545
Total	13,434,213
Less: Output Tax offset	10,765,725
Input Tax End	2,668,488

8. INVESTMENTS

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

9. PROPERTY, PLANT AND EQUIPMENT - NET

This account consists of the following:

Particulars	Land and Improvement	Buildings and Other Structures	Furniture and Equipment	Total
Cost				
January 1, 2013	886,717,430	704,657,902	294,680,114	1,886,055,446
Additions		2,184,682	13,666,556	15,851,238
Disposal/Adjustment		(370,223)	(1,004,052)	(1,374,275)
December 31, 2013	886,717,430	706,472,361	307,342,618	1,900,532,409
Accumulated Depreciation				
January 1, 2013	44,871,268	521,362,630	208,499,361	774,733,259
Depreciation	4,355,107	15,737,469	10,275,644	30,368,220
Disposal/Adjustment	(14,466)	(95)	(545,283)	(559,844)
December 31, 2013	49,211,909	537,100,004	218,229,722	804,541,635
Net Book Value				
December 31, 2013	837,505,521	169,372,357	89,112,896	1,095,990,774
Net Book Value				
December 31, 2012	841,846,162	183,295,272	86,180,753	1,111,322,187

9.1 Land

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

	Number of Square Meters	Price Per 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 2008, the Center, in connection with its Complex Development Plan commissioned an independent appraisal company to determine the current value of CCP land. The said appraisers submitted a valuation of CCP land ranging from P37,559.74 to P40,003.06 per square meter and a final estimate of CCP's property valuation for recording purposes is yet to be submitted.

9.2 Buildings and other structures

The Center owns buildings and structures, including a water reservoir and conduits amounting to P169,372,357 as indicated:

Particulars	Cultural Center of the Philippines	Folks Arts Theater	National Arts Center	Manila Film Center	TOTAL
Cost					
January 1, 2013	272,866,787	66,990,126	41,803,002	322,997,987	704,657,902
Additions	1,814,459				1,814,459
Disposal/Adjustment					
December 31, 2013	274,681,246	66,990,126	41,803,002	322,997,987	706,472,361
Accumulated Depreciation					
January 1, 2013	197,784,027	58,793,110	31,659,887	233,125,606	521,362,630
Depreciation Expense	6,022,168	1,507,278	940,568	7,267,455	15,737,469
Disposal/Adjustment					(95)
December 31, 2013	203,806,100	60,300,388	32,600,455	240,393,061	537,100,004
Net Book Value					
December 31, 2013	70,875,146	6,689,738	9,202,547	82,604,926	169,372,357
Net Book Value					
December 31, 2012	75,082,760	8,197,016	10,143,115	89,872,381	183,295,272

10. MISCELLANEOUS ASSETS

The bulk of this account represents 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.

11. PAYABLE ACCOUNTS

This account represents accrued expenses classified as follows:

Particulars	2013	2012
Maintenance and Other Operating Expenses	40,614,754	46,776,073
Due to Officers and Employees	3,541,447	11,958,299
Unliquidated Obligations/Vouchers	11,812,639	4,330,445
Total Payable Accounts	55,968,840	63,064,817

12. INTER-AGENCY PAYABLES

Particulars	2013	2012
National Government Agencies	2,752,456	1,831,103
Gov't. Owned and/or Controlled Corporations	3,274,129	3,332,945
Total Inter-Agency Payables	6,026,585	5,164,048

12.1 National government agencies

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.

12.2 Government-owned and/or controlled corporations

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 Pag-IBIG premiums.

13. OTHER LIABILITY ACCOUNTS

Particulars	2013	2012
Trust Fund	74,467,848	78,739,685
Unremitted Ticket Sales	7,119,144	24,673,982
Depository Liabilities	18,948,753	18,447,434
Others- On Account	3,600,853	8,371,708
Performance/Bidders Bond	6,210,752	8,034,433
Miscellaneous Liabilities	1,100,653	3,218,639
Total Other Liability Accounts	111,448,003	141,485,881

13.1 Trust fund

The Trust Fund 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 interest earnings on money market placements of the Centennial Fund and funds entrusted to the Center as custodian by different entities to finance various cultural projects pertinent to the Philippine International Arts Foundation, Inc. (PIAFI). 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. Recently, the Court of Appeal issued an order allowing the National Government and CCP to consign the said funds with the courts. A motion for Execution of the CA decision was already filed with trial court and now pending resolution.

13.2 Depository liabilities

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.

13.3 Ticket sales

This account represents ticket sales of lessee-produced shows collected by the Center which were not yet remitted to the producers.

13.4 Others - on accounts

This is a temporary account for the depository liabilities and bonds stipulated in contracts that were not yet paid in cash. Upon collection, this will be closed to the Depository liabilities account.

13.5 Performance/bidders/bail bonds payable

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

13.6 Miscellaneous liabilities

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

14. DEFERRED CREDITS

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.

15. 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.

16. RETAINED EARNINGS

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.

17. EXPENSES

The breakdown of this account is as follows:

Particulars	2013	2012
Personal Services		
Salaries and Wages	101,067,772	95,099,878
Other Compensation	30,358,618	29,321,566
Personnel Benefits Contribution	13,933,829	13,090,776
Other Personnel Benefits	4,881,444	1,036,245
	150,241,663	138,548,465
Maintenance and Other Operating Expenses		
Professional Services	57,324,984	56,019,819
Utility Expenses	45,771,844	53,498,869
Depreciation	30,368,220	30,028,460
Subsidies and Donations	8,250,000	8,250,000
Supplies and Materials Expenses	7,256,004	4,311,130
Taxes, Insurance Premiums and Other Fees	7,133,040	7,510,517
Repairs and Maintenance	6,178,631	7,518,191
Communication Expenses	3,201,932	3,019,812
Bad Debts Expense	2,235,313	1,396,487
Representation Expenses	898,370	839,359
Rent Expenses	767,308	529,169
Printing and Binding Expenses	372,682	599,411
Advertising Expenses	338,830	390,074

Travelling Expenses	297,144	358,894
Subscription Expenses	187,690	129,101
Training and Scholarship Expenses	64,862	85,750
Membership Dues and Contributions to Organizations	47,838	20,596
Other Maintenance and Operating Expenses	29,959,123	36,736,005
	200,653,815	211,241,644
Financial Expenses		
Bank Charges	1,050	17,703
	1,050	17,703
TOTAL EXPENSES	350,896,528	349,807,812

The total expenses do not include the accumulated leave credits of officers and employees of the Center in the amount of P1.3 million for the period January 1 to December 31, 2013.