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Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines
CORPORATE GOVERNMENT SECTOR
Cluster 6-Social, Cultural, Trading, Promotional
and Other Services

June 7, 2016

noted 6/7

Ms. ROSARIO VIRGINIA C. GAETOS

Executive Director

Center for International Trade Expositions and Missions

Roxas Boulevard corner Sen. Gil J. Puyat Avenue

Pasay City

Dear Ms. Gaetos:

We are pleased to transmit our Annual Audit Report on the results of the audit of the accounts and transactions of the Center for International Trade Expositions and Missions for the year ended December 31, 2015, pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines.

The Report consists of the Independent Auditor's Report, the Audited Financial Statements, the Observations and Recommendations, and the Status of Implementation of Prior Year's Audit Recommendations.

The Auditor rendered an unqualified opinion on the fairness of the presentation of the financial statements of the Center.

The significant observations and recommendations are as follows:

1. Reconciling items per books remained unadjusted/unbooked resulting in the net understatement of Cash in Bank balance by P2.080 million due to delay in recording the corresponding adjusting entries, while long outstanding bank errors amounting to P111,562 were still not adjusted per bank records.

We recommended that Management:

- a. Effect adjustments of all book reconciling items and coordinate with Philippine National Bank (PNB) in effecting necessary adjustment before the transfer of the account to an authorized government depository bank; and

- b. Ensure timely recording of transactions and take up the reconciling items in the books on the following month.
2. The correctness of the reported Property and Equipment account balance of P66.705 million with a net book value of P25.916 million as of December 31, 2015 is unreliable due to the discrepancy of P0.498 million compared with the physical inventory report balance of P67.203 million; and the unreconciled balance of P0.995 million on depreciation expense taken up in the General Ledger/Subsidiary Ledgers against the lapsing schedules.

We recommended that Management:

- a. Cause the reconciliation of PPE balances per books and physical inventory and prepare the necessary adjustment in the books and/or inventory report;
 - a.1 For assets recorded by the FD but not by the ASD,
 - If impaired/disposed of, derecognize in the books.
 - If lost, require the responsible officer to account for the lost items and be held liable.
 - a.2 For assets recorded by ASD but not by FD, if still serviceable, verify cost of the items and take up in the books;
 - b. Reconcile acquisition costs recorded between the FD and ASD; and
 - c. Adjust depreciation expense and accumulated depreciation based on the lapsing schedule. Update/adjust the lapsing schedule for assets not properly taken up in the books and prepare the lapsing schedule on a monthly basis.
3. Unused funds transferred by the Department of Agriculture (DA) and Department of Science and Technology (DOST) through the Philippine Council for Industry and Energy Research and Development (PCIERD) totaling P333,629 and P128,343, respectively, were not returned to source agencies despite completion of the projects, contrary to COA Circular No. 94-013.

We recommended that Management:

- a. Reconcile balances with the Source Agencies. Locate original documents supporting the fund transfer and the liquidation reports. Determine causes of discrepancies and/or possible errors in the booking of transactions;

- b. Prepare the necessary adjustments in the books and/or return any unused funds found after reconciliation; and
 - c. Comply strictly with COA Circular No. 94-013 and return immediately any unused funds after completion of the projects, unless authorized by the Source Agencies to utilize the balance or remaining fund.
4. The Center's accomplishment reports on trade fairs disclosed that revenues on projects totaling P61.585 million exceeded its target of P53.532 million by P8.053 million or 15.04 per cent while expenses amounting to P161.158 million were lower than its budgeted amount of P168.648 million.

Actual losses incurred in the amount of P99.573 million decreased by P7.866 million or 7.32 per cent compared with last year's loss of P107.439 million, but net loss from operations increased from P1.751 million in CY 2014 to P4.88 million in CY 2015 due to the increase in operating expenses by P31.162 million or 13.67 per cent.

We reiterated our recommendations that Management:

- a. Adopt a risk management and assessment process and regularly monitor exhibitors' sales as a tool in the measurement of accomplishment on the projects. Monitor sales under negotiation to find out actual accomplishment on sales generated during the previous years;
- b. Review expenditures with significant increases and their impact on target accomplishments, and
- c. Adopt strategies to do away with unnecessary expenditures, and increase participation fees and other revenues to avoid financial losses and protect government funds.

The other audit observations with the corresponding recommended courses of action were discussed by the Audit Team with the concerned officers and staff of that Agency, in a conference held on April 28, 2016 and are presented in detail in Part II of the Report.

We requested that appropriate actions be taken on the observations and recommendations contained in Part II of the Report. Likewise, we requested that this Commission be informed of the measures taken thereon within 60 days from the receipt hereof, pursuant to Section 93 of the General Provisions of the General Appropriations Act for CY 2015, by submitting the duly accomplished Agency Action Plan and Status of Implementation Form (copy attached).

We express our appreciation for the support and cooperation that the Management has extended to the Audit Team, thus facilitating the completion of the Report.

Very truly yours,

COMMISSION ON AUDIT



WILFREDO A. AGITO
Director IV

Copy furnished:

The President of the Republic of the Philippines
The Vice President
The Speaker of the House of Representatives
The Chairperson – Senate Finance Committee
The Chairperson – Appropriations Committee
The Secretary of the Department of Budget and Management
The Governance Commission for Government-Owned
or Controlled Corporations
The Presidential Management Staff, Office of the President
The UP Law Center
The National Library

PART I

AUDITED FINANCIAL STATEMENTS



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF GOVERNORS

Center for International Trade Expositions and Missions
Roxas Boulevard Cor. Sen. Gil J. Puyat Ave.
Pasay City

Report on the Financial Statements

We have audited the accompanying financial statements of the Center for International Trade Expositions and Missions (CITEM), which comprise the Statement of Financial Position as of December 31, 2015, the Statement of Comprehensive Income, Statement of Changes in Equity, and Statement of Cash Flows for the year then ended, and a Summary of Significant Accounting Policies and Other Explanatory Information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with state accounting principles generally accepted in the Philippines, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Center for International Trade Expositions and Missions as of December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with state accounting principles generally accepted in the Philippines.

**Report on Supplementary Information Required Under
BIR Revenue Regulation 15-2010**

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes, duties, and license fees paid or accrued during the taxable year discussed in Audit Observations No. 7 is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of Management. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

COMMISSION ON AUDIT



HENEDINA R. OTADOY
Supervising Auditor
Audit Group F
Trading and Promotions Audit Group
Cluster 6, Corporate Government Sector


April 29, 2016

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of Center for International Trade Expositions and Missions is responsible for all information and representations contained in the accompanying Balance Sheet as of 31 December 2015 and the related Statement of Income and Expenses and Cash Flow for the year then ended. The financial statements have been prepared in conformity with generally accepted state accounting principles and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized.


AURELIA O. CRUZ
Officer-In-Charge
Corporate Services
Department


ROSARIO VIRGINIA C. GAETOS
Executive Director
CITEM

02 March 2016

CENTER FOR INTERNATIONAL TRADE EXPOSITIONS AND MISSIONS
STATEMENT OF FINANCIAL POSITION

As of December 31, 2015

(With corresponding figures for 2014)

(In Philippine Peso)

	Notes	2015	2014
ASSETS			
Current Assets			
Cash and cash equivalents	3	160,929,767	167,225,146
Receivable accounts	2.2 and 4	20,717,951	23,688,984
Inventories	5	874,815	312,654
Prepaid expenses	6	43,566	3,681,570
Guaranty deposits	7	915,485	2,386,492
		183,481,584	197,294,846
Non-current Assets			
Receivable accounts, net	8	4,008,327	4,368,585
Investments	9	42,000	42,000
Property and equipment, net	2.4 and 10	43,274,766	38,148,980
Restricted fund	11	289,093,164	286,041,917
Other assets	12	3,116,804	843,723
		339,535,061	329,445,205
TOTAL ASSETS		523,016,645	526,740,051
LIABILITIES AND NET WORTH			
Current Liabilities			
Payable accounts	13	45,970,470	60,281,594
Inter-agency payables	14	13,986,587	14,146,836
Deferred credits	15	8,494,757	12,945,990
		68,451,814	87,374,420
Non-Current Liabilities	16	12,518,294	15,672,931
TOTAL LIABILITIES		80,970,108	103,047,351
NET WORTH		442,046,537	423,692,700
TOTAL LIABILITIES AND NET WORTH		523,016,645	526,740,051

The notes on pages 8 to 18 form part of these financial statements.

CENTER FOR INTERNATIONAL TRADE EXPOSITIONS AND MISSIONS
STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended December 31, 2015
(With corresponding figures for 2014)
(In Philippine Peso)

	Notes	2015	2014
General Income	2.3 and 19		
Service income		61,592,759	34,822,671
Interest income		718,518	595,762
Gain on foreign exchange		4,392,720	1,474,634
Gain (loss) on sale of assets		0	253,962
Miscellaneous income		1,050,481	2,573,592
Gross income		67,754,478	39,720,621
Expenses	2.3 and 20		
Personal services		51,261,631	48,950,631
Maintenance and other operating expenses		207,488,593	178,481,885
Financial expenses		326,692	482,244
Total expenses		259,076,916	227,914,760
LOSS FROM OPERATIONS		(191,322,438)	(188,194,139)
SUBSIDY FROM NATIONAL GOVERNMENT	21	186,443,000	186,443,000
NET INCOME (LOSS)	22	(4,879,438)	(1,751,139)

The notes on pages 8 to 18 form part of these financial statements.

CENTER FOR INTERNATIONAL TRADE EXPOSITIONS AND MISSIONS
STATEMENT OF CHANGES IN NET WORTH
For the Year Ended December 31, 2015
(With corresponding figures for 2014)
(In Philippine Peso)

	Notes	2015	2014
GOVERNMENT EQUITY	17		
Balance, beginning/end of year		41,221,808	41,221,808
RESTRICTED CAPITAL	11		
Balance, beginning of year		286,041,917	282,662,246
Interest income earned from restricted fund		3,051,247	3,359,249
Foreign exchange gain/loss		0	20,422
Balance, end of year		289,093,164	286,041,917
APPRAISAL CAPITAL	2.4		
Balance, beginning/end of year		5,054,354	5,054,354
RETAINED EARNINGS	18		
Balance, beginning of year		91,374,621	79,087,710
Prior year adjustment		20,182,028	14,038,050
Net income (loss)		(4,879,438)	(1,751,139)
Balance, end of year		106,677,211	91,374,621
NET WORTH		442,046,537	423,692,700

The notes on pages 8 to 18 form part of these financial statements.

CENTER FOR INTERNATIONAL TRADE EXPOSITIONS AND MISSIONS
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2015
(With corresponding figures for 2014)
(In Philippine Peso)

	Notes	2015	2014
Cash Flows from Operating Activities:			
Receipt of government subsidy	21	186,443,000	186,443,000
Cash received from exhibitors/customers		62,267,383	56,496,329
Funds received from Department of Trade and Industry and other government agencies and sponsorship from private sectors for the implementation of export promotion projects		82,020,386	63,345,264
Interest earned from savings/current accounts		142,120	91,778
Cash paid to suppliers and employees		(338,184,438)	(292,413,164)
Net cash (used in) provided by operating activities		(7,311,549)	13,963,207
Cash Flows from Investing Activities:			
Interest earned from investment in treasury bills/ time deposit		576,399	503,985
Effects of foreign exchange rate changes on cash and cash equivalents		4,392,720	1,461,677
Purchases of property, equipment and motor vehicles		(3,952,949)	(3,173,871)
Net cash (used in) provided by investing activities		1,016,170	(1,208,209)
Net increase/decrease in cash and cash equivalents		(6,295,379)	12,754,998
Cash and cash equivalents, beginning of year		167,225,146	154,470,148
CASH AND CASH EQUIVALENTS, END OF YEAR	3	160,929,767	167,225,146

The notes on pages 8 to 18 form part of these financial statements.

CENTER FOR INTERNATIONAL TRADE EXPOSITIONS AND MISSIONS

NOTES TO FINANCIAL STATEMENTS

(All amounts in Philippine Pesos unless otherwise stated)

1. GENERAL INFORMATION

The Center for International Trade Expositions and Missions (CITEM), a government-owned or controlled corporation, is an agency attached to the Department of Trade and Industry (DTI). It was created by virtue of Executive Order (EO) Nos. 989 and 133, as amended by Executive Order No. 242, dated July 24, 1987, to institutionalize the holding of trade exhibits for the promotion of locally manufactured products and implement projects designed to upgrade the quality of such products to international standards, coordinate raw material sourcing, develop markets and provide assistance to Philippine manufacturers in general.

The goals and objectives of CITEM are a) To professionally manage an export promotion organization; b) To plan, develop and implement trade fairs, special exhibits and trade missions and other promotional activities, both on domestic and international trade; and c) To respond to the needs of exporters and the requirements of target markets.

To attain the aforementioned objectives, CITEM is vested with the following powers and functions: a) Organize, prepare, review and approve official participation in foreign trade fairs, exhibitions and expositions in accordance with the trade promotion of DTI; b) Supervise the selection, collection and shipment of products and materials for use in such official participation; and c) Implement DTI's policies and guidelines for servicing all incoming missions and the conduct of all outgoing missions that are related to international trade fair exhibitions.

The Center is governed by a Board of Governors composed of a Chairman and five members. Its Management is being headed by an Executive Director and assisted by two Deputy Executive Directors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation of Financial Statements

The accompanying Financial Statements are prepared in accordance with generally accepted state accounting principles and standards in the Philippines.

2.2 Allowances for Doubtful Accounts

Allowance for doubtful accounts is provided and maintained at a level adequate to cover potential uncollectibility of receivables.

2.3 Income and Expenses

The Center generally adopts the accrual method of accounting for Income and Expenses. Advance collections of fees are recorded as deferred credits and are adjusted/recognized as income at the period they are actually earned or realized.

2.4 Property and Equipment

Property and Equipment includes cost of building and improvements which are stated at appraised values as determined in May 1995 by two independent appraisers. Subsequent additions to the improvement of the building are stated at cost. The account also includes depreciable assets with serviceable life of more than one year and high cost materials which can be re-used in similar or other related projects.

Depreciation is computed using the straight-line method based on the estimated useful lives of the assets.

The net appraisal increment resulting from the revaluation is recorded as Appraisal capital.

Minor repairs and maintenance are expensed when incurred; significant renewals and betterments are capitalized. There is no management policy as to the ceiling costs for minor repairs and maintenance costs and the floor price of significant renewals and betterments.

When assets are retired or otherwise disposed of, the costs of the related accumulated depreciation are removed from the books; any resulting gain or loss is reflected as Other Income or Loss for the period.

- 2.5** Transactions in foreign currencies are recorded in Philippine Peso based on the Bangko Sentral ng Pilipinas (BSP) rate of exchange prevailing at the date of transaction. At the end of the year, these are revalued based on BSP exchange rate at Balance Sheet date. Likewise, foreign currency-denominated monetary assets are also revalued based on BSP exchange rate at Balance Sheet date. For CYs 2015 and 2014 the foreign exchange rates used were P47.166 and P44.617, respectively.

CURRENT ASSETS

3. CASH AND CASH EQUIVALENTS

This account consists of the following:

Particulars	2015	2014
Cash in bank	160,613,517	166,883,765
Cash - collecting officers	306,851	315,771
Cash - disbursing officers	4,804	25,610
Petty cash fund	4,595	0
Cash and Cash Equivalents	160,929,767	167,225,146

4. RECEIVABLES

Accounts Receivable includes participation fees and extension charges billed to the exhibitors in connection with their participation in trade exhibits organized by CITEM. This also includes amounts collectible from government agencies which committed to shoulder cost and/or subsidized participation fees of exhibitors under a Memorandum of Agreement.

The account Due from National Government Agencies (NGAs) consists of expenses incurred by CITEM in the implementation of various local and international projects which are covered by a Memorandum of Agreement and chargeable against funds from the Department of Trade and Industry and other government agencies.

The account Due from Officers and Employees represents personal receivables from employees, year-end tax adjustments and other obligations due to CITEM which are regularly deducted from salaries.

Interest Receivable represents interests from various bank deposits earned in CY 2015 but will be received / credited to CITEM accounts in the following year.

Other Receivables include long outstanding other personal accounts from resigned employees, rental and operational charges billed to tenants.

RECEIVABLES, CURRENT

These consist of accounts which are expected to be collected within one year:

Particulars	2015	2014
Accounts receivable	11,928,498	5,377,335
Due from NGAs	8,520,590	17,967,944
Due from officers and employees	30,386	30,386
Advances to officers and employees	5,905	49,140
Interests receivable	95,307	53,755
Other receivables	137,265	210,424
Receivables, Current	20,717,951	23,688,984

5. INVENTORIES

This account consists of the following:

Particulars	2015	2014
Office supplies	724,873	238,619
Textbooks and instructional materials	1,950	1,950
Other supplies	147,992	72,085
Total Inventories	874,815	312,654

6. PREPAID EXPENSES

This includes the following:

Particulars	2015	2014
Prepaid rent	0	2,977,092
Other prepaid expenses	43,566	704,478
Total Prepaid Expenses	43,566	3,681,570

Advance payments for space rental and advertising contracts for 2016 projects were recorded as expenses from 2015 budget appropriations.

7. GUARANTY DEPOSITS

This includes deposits to different companies for relocation of electric meter and additional electrical load, telephone sets, cash/guaranty deposits for fuel credit line, building protection bond for venue exhibits and performance security bond for projects in the amount of P3,188,566, P915,485 of which is current (Non-current, P2,273,081). CITEM continues its effort to reconcile accounts with SM Prime Holdings, Inc. for the

building protection bond paid by CITEM for the trade shows held in SMX Convention Center.

NON-CURRENT ASSETS

8. RECEIVABLES, NON-CURRENT

These include accounts which are not expected to be received within one year:

Particulars	2015	2014
Accounts receivable	8,983,132	9,343,390
Due from NGAs	732,953	732,953
Advances to officers and employees	1,378,925	1,378,925
Other receivables	2,622,630	2,622,630
Allowance for doubtful accounts	(9,709,313)	(9,709,313)
Receivables, Non-Current, Net	4,008,327	4,368,585

9. INVESTMENT IN STOCKS

This represents subscription of 4,200 shares of the Philippine Long Distance Telephone Company (PLDT) stocks as a prerequisite to telephone service connection and investment for eight direct telephone lines.

10. PROPERTY, PLANT AND EQUIPMENT

This account consists of:

	Office Building and Other Structures	Office Equipment, Furniture & Fixtures, & IT Equipment & Software	Motor Vehicles	Library Books, Sports & Communication Equipment & Other Property & Equipment	TOTAL
Acquisition cost					
Balance, January 1, 2015	41,260,199	41,651,947	12,367,501	4,592,993	99,872,640
Additions	3,159,735	4,475,013	0	562,099	8,196,847
Disposals/Adjustments	(105,876)	(526,294)	0	3,581,294	2,949,124
Balance, December 31, 2015	44,314,058	45,600,666	12,367,501	8,736,386	111,018,611
Accumulated depreciation					
Balance, January 1, 2015	(25,766,963)	(24,938,890)	(7,421,989)	(3,595,818)	(61,723,660)
Depreciation	(1,188,621)	(3,700,554)	(1,026,299)	(104,711)	(6,020,185)
Disposals/Adjustments	0	323,152	0	(323,152)	0
Balance, December 31, 2015	(26,955,584)	(28,316,292)	(8,448,288)	(4,023,681)	(67,743,845)
Net book value					
December 31, 2015	17,358,474	17,284,374	3,919,213	4,712,705	43,274,766
December 31, 2014	15,493,236	16,713,057	4,945,512	997,175	38,148,980

Bulk of the increase in Other Property and Equipment is due to the construction of specialized booth called Artisan Villages (six nipa huts) used for Manila FAME October 2015 which will be re-used in future shows.

11. RESTRICTED FUND/CAPITAL

This represents the Building Fund allocated by the Governing Board for the construction of CITEM's office building in the future, which was temporarily invested in High-Yield Savings Account as follows:

Particulars	2015	2014
<u>High Yield Savings Account (formerly T-Bills):</u>		
Land Bank of the Philippines (LBP)	287,109,472	284,058,224
<u>Dollar Time Deposit:</u>		
LBP Dollar Time Deposit (Portion)	1,983,692	1,983,693
Restricted Capital / Restricted Fund	289,093,164	286,041,917

12. OTHER ASSETS

This account includes unserviceable property items for disposal and assets in the custody of other government agencies.

CURRENT LIABILITIES

13. PAYABLE ACCOUNTS

These consist of payables due to officers and employees, various suppliers, contractors and other creditors which are expected to be settled within one year.

Particulars	2015	2014
<u>Payable Accounts:</u>		
Suppliers and contractors	35,323,861	45,704,915
<u>Other Liabilities:</u>		
Officers and employees	6,369,406	10,717,141
Performance bonds	1,290,776	1,894,565
Other payables - trust	2,793,771	1,270,003
Refunds payable	192,656	694,970
Total	45,970,470	60,281,594

14. INTER-AGENCY PAYABLES

This account consists of the following:

Particulars	2015	2014
Due to other NGAs	9,269,741	11,233,489
Due to other Government-Owned or Controlled Corporations (GOCCs)	150,141	150,141
Due to Bureau of Internal Revenue (BIR)	3,903,302	2,007,115
Due to Government Service Insurance System (GSIS)	569,026	629,816
Due to Pag-IBIG	58,735	91,246
Due to PHILHEALTH	35,642	35,029
Total Inter-Agency Payables	13,986,587	14,146,836

The account Due to Other National Government Agencies represents advances/fund transfers received from various Funding Agencies (Department of Trade and Industry, Department of Agriculture, Bureau of the Treasury and Department of Science and Technology) for the implementation of various trade missions and promotional projects.

Due to Other Government-Owned or Controlled Corporations represents employees' salary deductions for housing loans to be remitted to National Home Mortgage Finance Corporation (NHMFC).

Due to BIR, GSIS, Pag-IBIG and Philhealth are the mandatory deductions from employees' salaries to be remitted to the above-concerned government agencies.

15. DEFERRED CREDITS

This represents advance rental and fees paid by the exhibitors in connection with their participation in the coming events and exhibits of CITEM in the amount of P8,494,757.

16. NON-CURRENT LIABILITIES

These consist of payables due to officers and employees, various suppliers, contractors and other creditors which are not expected to be paid within one year.

Particulars	2015	2014
Payable Accounts:		
Suppliers and contractors	6,959,133	1,683,007
Other Liabilities:		
Officers and employees	377,016	9,053,817
Performance bonds	206,372	54,172
Other payables - trust	1,090,921	1,429,634
Refunds payable	3,884,852	3,452,301
Total	12,518,294	15,672,931

Non-current liabilities are payables duly obligated in previous years and are outstanding for more than one year as of Balance Sheet date.

17. GOVERNMENT EQUITY

This consists of capital contribution in the form of either cash or property from the following government agencies:

Agencies	2015	2014
National Food Authority	14,745,735	14,745,735
National Government-Bureau of the Treasury	10,396,662	10,396,662
Bangko Sentral ng Pilipinas	10,000,000	10,000,000
Donation from China	3,949,291	3,949,291
Government Service Insurance System	2,000,000	2,000,000
Land Bank of the Philippines	1,000,000	1,000,000
Philippine International Trading Corporation	625,000	625,000
Transfer of donated assets to DTI and its attached agencies	(1,494,880)	(1,494,880)
Total Government Equity	41,221,808	41,221,808

The equity balances in the books of CITEM as against the confirmed account balances of the contributors are as follows:

Government Agency (Contributor)	Per Books	Per Confirmation	Variance
National Government-Bureau Of the Treasury (BTr)	10,396,662	12,653,662	(2,257,000)
Bangko Sentral ng Pilipinas (BSP)	10,000,000	0	10,000,000
Land Bank of the Phils. (LBP)	1,000,000	2,000,000	(1,000,000)
	21,396,662	14,653,662	6,743,000

The variances shown above remain unresolved because of insufficient documentation. These variances cannot be reconciled and the discrepancy noted cannot be recorded in the books as equity because proofs of remittances or fund receipts by CITEM from the Bureau of the Treasury, Bangko Sentral ng Pilipinas and Land Bank of the Philippines cannot be established.

18. RETAINED EARNINGS, NET

The breakdown of the account is as follows:

Particulars	2015	2014
Retained earnings, December 31	91,374,621	79,087,710
Net increase (prior years' adjustments)	20,182,028	14,038,050
Net income (loss)	(4,879,438)	(1,751,139)
Retained Earnings, NET	106,677,211	91,374,621

The net increase in Retained Earnings is due to prior years' adjustments to expense and income accounts.

19. GENERAL INCOME

Particulars	2015	2014
Service income	61,592,759	34,822,671
Interest income	718,518	595,762
Gain (loss on foreign exchange)	4,392,720	1,474,634
Loss on sale of assets	0	253,962
Miscellaneous income	1,050,481	2,573,592
Total	67,754,478	39,720,621

Service Income includes trade fair participation fees and other related fees (such as, management fee, enrollment fee in Design for Export Coaching Programs, booth construction fee and advertising fee) collected from exhibitors participating in various trade fairs and signature events. The increase in amount is attributable to the project In (IFEX), a biennial event and reduced discounts given to exhibitors.

Miscellaneous Income includes entrance tickets to events, sale of event directories, HallOne venue rentals and disposal of unserviceable properties, among others.

20. EXPENSES

Particulars	2015	2014
Personal Services		
Salaries and wages	32,818,397	32,719,287
Other personnel benefits	7,463,810	5,814,853
Personnel benefits contributions	4,496,036	4,489,949
Other compensation	6,483,388	5,926,542
	51,261,631	48,950,631

Particulars	2015	2014
Maintenance and Other Operating Expenses		
Rent expenses	50,265,569	29,018,893
Professional services	42,276,108	37,745,322
Advertising expenses	17,394,801	17,045,406
Other services	7,010,435	6,710,637
Traveling expenses	6,998,689	7,811,599
Communication expenses	6,200,259	5,242,462
Representation expenses	6,177,980	5,433,764
Non-cash expenses	6,020,185	3,871,599
Utility expenses	5,142,108	5,856,886
Printing and binding expenses	4,918,310	5,475,915
Supplies and materials expenses	3,446,684	5,536,356
Transportation and delivery expenses	1,721,274	2,958,010
Subscription expenses	1,545,131	1,043,849
Taxes, insurance premiums & other fees	1,522,251	1,192,412
Repairs and maintenance	779,252	633,698
Training and scholarship expenses	507,703	949,566
Membership dues and contributions to organizations	26,500	6,800
Extraordinary and miscellaneous expenses	18,840	68,031
Donations	2,000	4,000
Other maintenance and operating expenses - Booth construction	45,514,514	41,876,680
	207,488,593	178,481,885
Financial Expenses		
Bank charges	326,692	482,244
Total, Cash and Non-Cash Expenses	259,076,916	227,914,760

21. SUBSIDY FROM NATIONAL GOVERNMENT

For this year, the Program Subsidy received by CITEM from the Department of Budget and Management to support the implementation of its export promotion programs amounted to P186,443,000. The same amount of subsidy was received in CY 2014.

22. NET LOSS

The resulting Net Loss in the amount of P4,879,438 can be attributed to the increase in expenses for additional projects and programs implemented by CITEM.

As part of the strategies to achieve its vision, CITEM implemented the following strategies:

- 1) Expanding Marketing and Promotions to attract more buyers to visit Philippine booths in local and international shows; and
- 2) Participating in high-design events in the world design capital, Milan, Paris, New York, as part of the Philippine Branding Program.

The Center likewise implemented the RedBox/Talent Design program, which was part of its integrated support program for the sectors it assists.