



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 Center for International Trade Expositions and Missions (CITEM), which comprise the Statement of Financial Position as of December 31, 2013, the Statement of Profit or Loss, 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.

Basis for Qualified Opinion

As discussed in the report, the validity of the balance of the Due to Officers and Employees account in the amount of P19.766 million as of December 31, 2013 is doubtful due to the unaccounted balance of P9.054 million carried over from previous years and erroneous entries that understated the account in the amount of P300,752.

Moreover, the physical inventory report on Property and Equipment in the amount of P49.795 million showed a discrepancy of P5.932 million compared with the balance per accounting records of P43.862 million thus, the correctness of the reported balance of the said account as of 31 December 2013 is not assured.

Finally, the validity and accuracy of the balances of Accounts Payable-Vouchers and Other Payables accounts amounting to P 1.942 million and P1.126 million, respectively, is uncertain due to the absence of schedules and other supporting documents.

Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the CITEM as of December 31, 2013, 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 the audit report 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

29 May 2014




**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 2013 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

March 4, 2014

CENTER FOR INTERNATIONAL TRADE EXPOSITIONS AND MISSIONS
STATEMENT OF FINANCIAL POSITION
December 31, 2013
(With corresponding figures for 2012)
(In Philippine Peso)

	Notes	2013	2012
ASSETS			
Current Assets			
Cash and cash equivalents	3	154,470,148	161,747,423
Receivable accounts, net	2.2 and 4	26,687,829	13,771,438
Inventories	5	380,794	388,898
Prepaid expenses	6	43,566	2,103,671
Guaranty deposits	7	1,903,767	1,131,186
		183,486,104	179,142,616
Non-current Assets			
Investments	8	42,000	42,000
Property and equipment, net	2.4 and 9	27,668,314	25,731,254
Restricted capital	10	282,662,246	280,393,406
Other assets	11	843,723	843,723
		311,216,283	307,010,383
TOTAL ASSETS		494,702,387	486,152,999
LIABILITIES AND NET WORTH			
Current Liabilities			
Payable accounts	12	70,305,486	44,914,361
Inter-agency payables	13	6,385,952	14,600,510
Deferred credits	14	4,497,105	12,530,913
Other current liabilities	15	4,323,115	6,359,109
TOTAL LIABILITIES		85,511,658	78,404,893
NET WORTH		409,190,729	407,748,106
TOTAL LIABILITIES AND NET WORTH		494,702,387	486,152,999

The notes on pages 8 to 16 form part of these financial statements.

CENTER FOR INTERNATIONAL TRADE EXPOSITIONS AND MISSIONS
STATEMENT OF PROFIT OR LOSS
For the year ended December 31, 2013
(With corresponding figures for 2012)
(In Philippine Peso)

	Notes	2013	2012
General Income	2.3 and 18		
Service income		49,589,938	27,193,718
Interest income		848,897	2,204,249
Gain (loss) on foreign exchange		3,196,553	(3,109,840)
Loss on sale of assets		(784,435)	(273,366)
Miscellaneous income		2,608,649	4,188,692
Gross income		55,459,602	30,203,453
Expenses	2.3 and 19		
Personal services		52,415,989	54,006,770
Maintenance and other operating expenses		191,625,669	151,330,043
Financial expenses		362,161	218,444
Total expenses		244,403,819	205,555,257
LOSS FROM OPERATIONS		188,944,217	175,351,804
SUBSIDY FROM NATIONAL GOVERNMENT	20	188,118,000	179,510,000
NET INCOME (LOSS)	21	(826,217)	4,158,196

The notes on pages 8 to 16 form part of these financial statements.

CENTER FOR INTERNATIONAL TRADE EXPOSITIONS AND MISSIONS
STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2013
 (With corresponding figures for 2012)
 (In Philippine Peso)

	Notes	2013	2012
GOVERNMENT EQUITY	16		
Balance, beginning/end of year		41,221,808	41,221,808
RESTRICTED CAPITAL	10		
Balance, beginning of year		280,393,406	385,628,246
Interest income earned from Restricted fund		2,268,840	
Realignment of savings from Restricted capital to Retained earnings		-	(36,236,000)
Adjustment on cash drawdown		-	(72,454,000)
Adjustment on interest income		-	3,552,846
Adjustment on bank charges		-	(97,686)
Balance, end of year		282,662,246	280,393,406
APPRAISAL CAPITAL	2.4		
Balance, beginning/end of year		5,054,354	5,054,354
RETAINED EARNINGS	17		
Balance, beginning of year		81,078,538	(31,769,658)
Realignment of savings from Restricted capital to Retained earnings		-	36,236,000
Adjustment on cash drawdown		-	72,454,000
Adjustment on interest income		-	
Net income (loss)		(826,217)	4,158,196
Balance, end of year		80,252,321	81,078,538
NET WORTH		409,190,729	407,748,106

The notes on pages 8 to 16 form part of these financial statements.

CENTER FOR INTERNATIONAL TRADE EXPOSITIONS AND MISSIONS**STATEMENT OF CASH FLOWS****For the year ended December 31, 2013****(With corresponding figures for 2012)****(In Philippine Peso)**

	Notes	2013	2012
Cash Flows from Operating Activities:			
Receipt of government subsidy	20	188,118,000	179,510,000
Cash received from exhibitors/customers		53,924,281	32,760,597
Funds received from Department of Trade and Industry and other government agencies and sponsorship from private sectors for the implementation of export promotion projects		3,902,030	40,884,500
Interest earned from savings/current accounts		107,060	157,334
Bank debits/credits		-	(311,376)
Cash paid to suppliers and employees		(253,473,211)	(231,427,618)
Net cash used in operating activities		(7,421,840)	21,573,437
Cash Flows from Investing Activities:			
Interest earned from investment in treasury bills/ time deposit		740,812	820,758
Proceeds from Treasury Bills No. 041812 TA-042011		-	26,503,403
Proceeds from Treasury Bills No. 97019		-	50,808,280
Reclassification from Restricted Capital to Foreign Currency Time Deposit		-	31,609,332
Effects of foreign exchange rate changes on cash and cash equivalents		3,196,553	(3,093,789)
Purchases of property, equipment and motor vehicles		(3,792,800)	(2,989,423)
Purchase of Other Structures		-	(3,965,525)
Net cash (used in) provided by investing activities		144,565	99,693,036
Net decrease in cash and cash equivalents		(7,277,275)	121,266,473
Cash and cash equivalents, beginning of year		161,747,423	40,480,950
CASH AND CASH EQUIVALENTS, END OF YEAR	3	154,470,148	161,747,423

The notes on pages 8 to 16 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 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 to: a) professionally manage an export promotion organization; b) plan, develop and implement trade fairs, special exhibits and trade missions and other promotional activities, both on domestic and international trade; and c) 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 program 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 Corporation is governed by a Board of Governors composed of a Chairman and five members. Its management is being headed by an Executive Director who is 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 Allowance for Doubtful Accounts

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

2.3 Income and Expenses

The Center adopts the accrual method of accounting for income and expenses. Advance collections of fees are recorded as deferred credits and are

adjusted/recognized at the period they are actually earned or realized. Expenses are recorded at the time they are incurred.

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.

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 BSP rate of exchange prevailing at the date of transactions. At the end of the year, these are revalued based on BSP exchange rate at Balance Sheet date. Likewise, foreign currency denominated monetary assets is also revalued based on BSP exchange rate at Balance Sheet date. For CYs 2013 and 2012 the foreign exchange rates used were P 44.414 and P 41.192 respectively.

3. CASH AND CASH EQUIVALENTS

This account consists of the following:

Particulars	2013	2012
Cash in Bank	154,134,448	161,301,462
Cash – Collecting Officers	333,158	325,725
Cash – Disbursing Officers	923	68,018
Petty Cash Fund	1,619	52,218
Cash and Cash Equivalents	154,470,148	161,747,423

The decrease in Cash in Bank is due to reclassifications of Restricted Fund to Cash in Bank – Local Currency Time Deposits and Cash in Bank – Foreign Currency Time Deposits to conform the balances of Restricted Fund and Restricted Capital in the books.

4. RECEIVABLES, NET

These consist of:

Particulars	2013	2012
Accounts Receivable	9,978,158	17,754,463
Due from National Government Agencies (NGAs)	22,192,135	1,519,679
Other Receivables	3,983,969	3,948,040
Advances to Officers and Employees	172,309	91,429
Interests Receivable	53,755	52,730
Due from Officers and Employees	16,816	114,410
	36,397,142	23,480,751
Allowance for Doubtful Accounts	(9,709,313)	(9,709,313)
Receivables, Net	26,687,829	13,771,438

Accounts Receivable includes participation fees and extension charges billed to the exhibitors in connection with their participation in trade exhibits organized by CITEM.

The account Due from NGAs consists of expenses incurred by CITEM in the implementation of various local and international projects which are chargeable against funds from DTI – OSEC.

Other Receivables include long outstanding cash advances and other personal accounts from resigned employees, rental and operational charges billed to tenants and other current assets which represent withholding taxes deducted from participation fees of exhibitors.

Interest Receivable represents interests from various bank deposits earned in CY 2013 but will be received / credited to CITEM accounts in the following year.

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.

5. INVENTORIES

This account consists of the following:

Particulars	2013	2012
Office Supplies	265,867	281,361
Spare Parts	112,302	14,280
Other Supplies	1,950	91,307
Textbooks and Instructional Materials	675	1,950
Total Inventories	380,794	388,898

6. PREPAID EXPENSES

This includes the following:

Particulars	2013	2012
Prepaid rent	-	2,060,105
Other prepaid expenses	43,566	43,566
Total Prepaid Expenses	43,566	2,103,671

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, building protection bond for venue exhibits and performance security bond for projects.

8. INVESTMENT IN STOCKS

This represents subscription of 4,200 shares of PLDT stocks as a prerequisite to telephone service connection and investment for eight direct telephone lines.

9. PROPERTY AND EQUIPMENT

This account consists of:

	Office Building and Other Structures	Office Equipment, Furniture & Fixtures, & IT Equipment & Software	Motor Vehicles	Library Books, Sports Equipment & Other Property, Plant & Equipment	TOTAL
Acquisition cost					
Balance, January 1, 2013	38,019,708	31,167,270	9,127,601	6,938,310	85,252,889
Additions	1,858,444	1,234,504	2,986,500	90,650	6,170,098
Disposals/Adjustments	-	(4,739,899)	-	(2,942,874)	(7,682,773)
Balance, December 31, 2013	39,878,152	27,661,875	12,114,101	4,086,086	83,740,214
Accumulated depreciation					
Balance, January 1, 2013	(24,442,116)	(23,018,073)	(5,818,530)	(6,242,916)	(59,521,635)
Depreciation	(1,324,847)	(1,512,528)	(609,740)	(1,488)	(3,448,603)
Disposals/Adjustments	-	4,249,752	-	2,648,586	6,898,338
Balance, December 31, 2013	(25,766,963)	(20,280,849)	(6,428,270)	(3,595,818)	(56,071,900)
Net book value					
December 31, 2013	14,111,189	7,381,026	5,685,831	490,268	27,668,314
December 31, 2012	13,577,592	8,149,197	3,309,071	696,394	26,731,254

10. RESTRICTED CAPITAL

This represents the amount restricted by the CITEM governing board for the construction of its office building in the future, which was temporarily invested in High-Yield Savings Account as follows:

Particulars	2013	2012
<u>High Yield Savings Account (formerly T-Bills):</u>		
Land Bank of the Philippines (LBP)	280,839,419	278,597,882
<u>Treasury Bills:</u>		
LBP Dollar Time Deposit	1,822,827	1,795,524
Restricted Capital / Restricted Fund	282,662,246	280,393,406

11. OTHER ASSETS

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

12. PAYABLE ACCOUNTS

These consist of payables to:

Particulars	2013	2012
Suppliers and Contractors	50,539,912	30,136,828
Officers and Employees	19,765,574	14,777,533
Total Payables	70,305,486	44,914,361

13. INTER-AGENCY PAYABLES

This account consists of the following:

Particulars	2013	2012
Due to Other NGAs	4,382,621	11,877,827
Due to Bureau of Internal Revenue (BIR)	1,768,558	1,915,873
Due to Other Government-Owned or Controlled Corporations (GOCCs)	146,154	150,141
Due to Government Service Insurance System (GSIS)	88,781	550,748
Due to Pag-IBIG	(2,291)	71,128
Due to PHILHEALTH	2,129	34,793
Total Inter-Agency Payables	6,385,952	14,600,510

The account Due to Other NGAs represents advances/fund transfers received from various funding agencies (Department of Trade and Industry, Department of Agriculture, Bureau of the Treasury, Tourism Promotions Board, Office of Senator Legarda and DTI-GTIDO) for the implementation of various trade missions and promotional projects.

Due to Other Government-Owned or Controlled Corporations represent employees' salary deductions for housing loans to be remitted to National Home Mortgage Finance and the balance of previous year's project funded by Garment and Textile Board of DTI (GTGB) amounting to P145,942.

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

14. 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.

15. OTHER CURRENT LIABILITIES

This account includes bidders' bonds, sponsorship fees received from private entities for projects implemented by CITEM and other miscellaneous payables. It also includes amounts collected from the exhibitors representing their share in the expenses to be incurred for participating in international exhibits.

16. GOVERNMENT EQUITY

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

Agencies	2013	2012
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 the 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)
Banko Sentral ng Pilipinas (BSP)	10,000,000	-	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.

17. RETAINED EARNINGS, NET

The breakdown of the account is as follows:

Particulars	2013	2012
Retained Earnings, December 31	81,078,538	(31,769,658)
Adjustment on cash drawdown		
Res. No. BM-2012-07-03		39,236,000
Res. No. BM-2012-12-01		51,454,000
Res. No. BM-2012-07-04		18,000,000
Net Income (Loss)	(826,217)	4,158,196
Retained Earnings, NET	80,252,321	81,078,538

18. GENERAL INCOME

Service Income includes trade fair participation fees and other related fees (e.g. collected from exhibitors during trade fairs and signature events. Miscellaneous Income includes service charge on employee's personal calls, balances of cost-share, management fee from various projects and sale of CITEM's items for disposal. Other Income represents interests earned from various bank deposits, treasury bills and other investments. Gain or loss on foreign exchange due to the revaluation of foreign currency denominated deposits at the end of the period is deducted from Other Income as Other Losses.

19. EXPENSES

Particulars	2013	2012
Personal Services		
Salaries and Wages	33,674,771	34,413,355
Other Personnel Benefits	7,743,858	10,373,432
Personnel Benefits Contributions	4,657,500	4,777,318
Other Compensation	6,339,860	4,445,665
Sub-total	52,415,989	54,009,770
Maintenance and Other Operating Expenses		
Rent Expenses	45,202,071	33,709,027
Professional Services	32,732,309	32,761,182
Advertising Expenses	18,855,148	15,340,609
Printing and Binding Expenses	9,079,822	5,786,010
Traveling Expenses	8,907,359	10,257,144
Other Services	8,906,517	9,644,294
Supplies and Materials Expenses	7,051,505	7,962,233
Utility Expenses	5,644,765	5,490,551
Communication Expenses	4,693,990	5,374,876
Transportation and Delivery Expenses	5,242,603	4,046,371
Representation Expenses	3,809,428	2,703,553
Non-Cash Expenses	3,448,603	2,601,691
Subscription Expenses	1,228,541	459,754
Training and Scholarship Expenses	1,175,925	911,689
Taxes, Insurance Premiums & Other Fees	907,621	843,468
Repairs and Maintenance	428,430	526,265
Donations	80,455	8,000
Extraordinary and Miscellaneous Expenses	72,351	7,280
Membership Dues and Contributions to Organizations	6,500	53,750
Other Maintenance and Operating Expenses-booth construction	34,151,726	12,839,295
Sub-total	191,625,669	151,327,043
Financial Expenses		
Bank Charges	362,161	218,444
Total, Cash and Non-Cash Expenses	244,403,819	205,555,257

20. SUBSIDY FROM NATIONAL GOVERNMENT

For this year, the Subsidy received by CITEM from the Department of Budget and Management to support the implementation of its export promote programs was Php188,118,000. There was an increase in subsidy from last year's figure of Php179,510,000.

21 NET LOSS

The resulting Net Loss can be attributed to the increase in expenses mainly for Rent Expenses and Other Maintenance and Operating Expenses-Booth Construction. It is also because instead of recognizing as interest the interest earned from CITEM's High Yield Saving Account, it was credited to Restricted Capital.