



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

INDEPENDENT AUDITOR'S REPORT

The Tourism Board
TOURISM PROMOTIONS BOARD
Legaspi Towers 300
Roxas Boulevard, Manila

We have audited the accompanying financial statements of the Tourism Promotions Board, which comprise the balance sheet as at December 31, 2012, and the statement of revenues and expenditures, statement of changes in net worth and cash flow statement 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, 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 International 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 Tourism Promotions Board as at December 31, 2012, and its financial performance and its cash flows for the year then ended in accordance with State accounting principles.

COMMISSION ON AUDIT



HENEDINA R. OTADOY

Supervising Auditor, Audit Group F
Cluster 6, Corporate Government Sector

May 29, 2013

TOURISM PROMOTIONS BOARD
BALANCE SHEET
December 31, 2012
(With corresponding figures for 2011)
(In Philippine Peso)

	Notes	2012	2011
ASSETS			
Current assets			
Cash and cash equivalents	2a & 3	227,094,330	33,052,999
Receivable accounts, net	2b & 4	5,843,736	18,467,449
Inventories	2c & 5	2,448,094	1,103,106
Other current assets	2d & 6	1,343,730	938,766
Total Current Assets		236,729,890	53,562,320
Non-current assets			
Long-term investments	7	123,600	123,600
Property and equipment, net	2f & 8	13,533,778	11,254,890
Other assets	9	24,297,566	602,643
Total Non-current assets		37,954,944	11,981,133
TOTAL ASSETS		274,684,834	65,543,453
LIABILITIES AND NET WORTH			
Current liabilities			
Payable accounts	10	8,418,508	4,586,744
Inter-agency payables	11	51,157,965	30,646,156
Other current liabilities	12	6,645,671	2,182,157
Deferred credits	13	480,592	65,541
Total Current liabilities		66,702,736	37,480,598
Net worth		207,982,098	28,062,855
TOTAL LIABILITIES AND NET WORTH		274,684,834	65,543,453

The notes on pages 7 to 14 form part of these financial statements.

TOURISM PROMOTIONS BOARD
STATEMENT OF REVENUES AND EXPENDITURES
For the year ended December 31, 2012
(With corresponding figures for 2011)
(In Philippine Peso)

	Notes	2012	2011
REVENUES			
General Income	14		
Subsidy income		269,200,000	82,500,000
Service income		625,821	2,913,435
Business income		219,000	200,750
Other general income		10,473,421	2,031,691
Gross revenues		280,518,242	87,645,876
EXPENDITURES			
	15		
Personal services		50,711,890	48,300,783
Maintenance and other operating expenses		50,099,664	29,429,617
Financial expenses		103,202	83,630
Total expenditures		100,914,756	77,814,030
Income/(loss) from operation		179,603,486	9,831,846
OTHER REVENUES (EXPENDITURES)			
Interest income	16	630,982	123,468
Gain/(loss) on foreign exchange	17	(160,867)	7,395
Gain/(loss) on sale of assets	18	(154,359)	(139,379)
Total other revenues /(expenditures)		315,756	(8,516)
NET INCOME/(LOSS)		179,919,242	9,823,330

The notes on pages 7 to 14 form part of these financial statements.

TOURISM PROMOTIONS BOARD
STATEMENT OF CHANGES IN NET WORTH
For the year ended December 31, 2012
 (With corresponding figures for 2011)
 (In Philippine Peso)

	2012	2011
RETAINED EARNINGS		
Balance at beginning of the year	28,062,856	18,239,526
Net income/(loss)	179,919,242	9,823,330
Balance at the end of the year	207,982,098	28,062,856

The notes on pages 7 to 14 form part of these financial statements.

TOURISM PROMOTIONS BOARD
CASH FLOW STATEMENT
For the year ended December 31, 2012
(With corresponding figures for 2011)
(In Philippine Peso)

	Note	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Subsidy from the National Government		250,000,000	65,000,000
Advances from other government agencies		126,109,659	49,782,317
Refunds from cash advances of officers and employees		42,995,754	4,708,034
Subsidy from Other National Government Agencies		19,200,000	-
Collection of receivables		19,663,765	8,394,633
Employees' mandatory contributions and withholding taxes and creditors' withholding taxes		16,418,755	13,378,556
Miscellaneous receipts		2,839,575	3,761,463
Sponsorships from other GOCCs for implementation of projects		10,000,000	11,700,958
Reverted outstanding checks		6,313,466	2,145,099
Interest income		630,981	123,468
Service income-participation fees		625,821	2,913,435
Rent income		219,000	200,750
Gain/(loss) on foreign exchange		(160,867)	7,394
Other Assets - Restricted Fund		(23,694,922)	-
Purchase of inventories		(1,344,988)	-
Personal services		(50,711,890)	(48,215,343)
Maintenance and other operating expenses		(43,028,954)	(26,392,281)
Advances to officers and employees		(50,035,806)	(8,589,218)
Payment of obligations		(6,440,028)	(8,143,324)
Payment of inter-agency payables		(122,016,604)	(49,999,394)
Guaranty deposits		(415,000)	(40,000)
Prepaid expenses			(23,002)
NET CASH PROVIDED BY OPERATING ACTIVITIES		197,167,717	20,713,545
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment		(2,977,407)	(629,468)
Dividend income		5,380	12,260
Loss on Disposal of Assets		(154,359)	-
NET CASH USED IN INVESTING ACTIVITIES		(3,126,386)	(617,208)
NET INCREASE IN CASH AND CASH EQUIVALENTS		194,041,331	20,096,337
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		33,052,999	12,956,662
CASH AND CASH EQUIVALENTS AT END OF YEAR	3	227,094,330	33,052,999

The notes on pages 7 to 14 form part of these financial statements.

TOURISM PROMOTIONS BOARD
(A Stock Corporation)
NOTES TO FINANCIAL STATEMENTS
(All amounts in Philippine Pesos unless otherwise stated)

1. AGENCY BACKGROUND

The Tourism Promotions Board (TPB), with legal address at 4th Floor, Legaspi Towers 300, Roxas Boulevard corner Vito Cruz, Manila, is a stock corporation attached to the Department of Tourism (DOT) and mandated to be responsible for marketing and promoting the Philippines domestically and internationally as a major global tourism destination.

Republic Act No. 9593, known as the Tourism Act of 2009 and its Implementing Rules and Regulations (IRR) provided for the reorganization of the Philippine Convention and Visitors Corporation (PCVC) into the Tourism Promotions Board (TPB). The Tourism Board under Resolution No. 16, series of 2010, confirmed during its June 21, 2010 meeting the reorganization of the PCVC into the TPB.

Towards the third quarter of the year, a Chief Operating Officer was elected and the Board of Directors composed of six (6) members from the government sector and five (5) member-representatives from the private sector after their nomination by the Tourism Congress, convened during their meeting last September 26, 2012.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are prepared in accordance with State accounting principles. The financial statements were presented using the New Government Accounting System (NGAS) prescribed chart of accounts pursuant to COA Circular No. 2004-002 dated April 29, 2004.

- a. Dollar collections are translated into the local currency based on the Philippine National Bank's year-end guiding rate.
- b. Receivables that remained outstanding for more than five years and identified to be uncollectible are provided with 100 per cent allowance for bad debts.
- c. Valuation of inventories is at lower of cost or net realizable value based on the moving average method of pricing.
- d. The asset method is used in recording disbursements when expenditures apply to more than one accounting period.
- e. Investments are valued at cost.
- f. Property and equipment are valued at historical cost and depreciation is computed using the straight-line method over the estimated useful lives of depreciable assets with 10 per cent residual value. Depreciation for buildings, office equipment and motor vehicles is based on the estimated life of 30, 5 and 7 years, respectively.

3. CASH AND CASH EQUIVALENTS

This account includes the following:

Particulars	2012	2011
LBP-Current Account –TBP	143,278,527	1,247,998
LBP-Current Account-SPP Account - TPB	12,386,044	20,725,435
LBP-High Yield Savings Account	57,256,500	-
PNB-Current/Savings – Peso Account	10,370,168	2,860,818
PNB-Savings Deposit –Dollar Account	3,719,928	878,247
Cash –Collecting Officer	43,163	7,300,501
Petty cash fund	40,000	40,000
Total Cash and Cash Equivalents	227,094,330	33,052,999

The account also includes balance of funds received from other government agencies for the implementation of tourism-related marketing projects amounting to P49,368,185.18, which is deposited at LBP-current account-SPP account and PNB-current/savings peso account.

Dollar deposits are translated into the Philippine peso using the year-end foreign exchange rate of P41.125.

4. RECEIVABLE ACCOUNTS, NET

This account consists mainly of prior years' annual contributions from other government agencies represented in the then Board of Trustees of PCVC:

Particulars	2012	2011
Advances to Officers and Employees	5,627,522	809,400
Due from Officers and Employees	204,967	236,146
Due from National Government Agencies	8,483,416	26,017,993
Due from Government-Owned or Controlled Corporations	1,269,531	1,269,531
Other receivables	197,688	73,767
	15,783,124	28,406,837
Allowance for bad debts	(9,939,388)	(9,939,388)
Total Receivable Accounts - Net	5,843,736	18,467,449

Advances to officers and employees pertain to cash advances granted for official purposes.

Due from officers and employees refers to receivables from employees' personal calls, leave without pay, overpayments of salary and overtime, and health premiums advanced by the Corporation.

Due from national government agencies includes receivables from the Department of Foreign Affairs (DFA) and the Department of Tourism (DOT) amounting to P4,200,000 each representing unpaid annual contributions from other government agencies represented in the Board of Trustees of PCVC, covering the period 1988-2008 at P200,000 per annum as provided for under Section 14.1 of Executive Order No. 120-A dated July 20, 1987. Receivables from these two agencies were not accrued since 2009. An allowance for bad debts for the full amount of P8,400,000 was provided because of the uncertainty of collections since funds for this purpose were never appropriated.

Due from government-owned or controlled corporations represents the share of the Philippine Tourism Authority (now TIEZA) in the ASTA World Congress/other miscellaneous receivables.

Other receivables consist of receivables from DOT on advance payments made for Expo Korea and the receivables from suppliers due to overpayment.

5. INVENTORIES

The account includes the following:

Particulars	2012	2011
Office supplies inventory	1,520,131	121,928
Other supplies inventory	927,963	981,178
Total Inventories	2,448,094	1,103,106

The Office Supplies Inventory is composed of office supplies and promotional materials inventory amounting to P1,460,289.80 and Other Supplies Inventory is composed of items costing below P10,000 that were classified as semi-expendable properties prior to 2005.

6. OTHER CURRENT ASSETS

The account consists of the following:

Particulars	2012	2011
Prepaid insurance	4,591	11,806
Other prepaid expenses	8,375	11,196
Guaranty deposits	1,330,764	915,764
Total Other Current Assets	1,343,730	938,766

Prepaid insurance represents unexpired portion of the amount paid for vehicle insurance.

Other prepaid expenses represent prepayments for subscription newspapers/magazines.

Guaranty deposits consist mainly of deposits for gasoline and rentals.

7. LONG-TERM INVESTMENTS

This account represents investment amounting to P123,600 in Philippine Long Distance Telephone Company preferred shares of stock as subscriber's investment for telephone lines as required by Presidential Decree No. 217.

8. PROPERTY AND EQUIPMENT, NET

This account consists of:

Particulars	Buildings and other structures	Motor vehicles	Office equipment	Furniture and other fixtures	Other PPE	Books	Total
As of December 31, 2011, (as restated)							
Cost	44,119,309	5,163,521	8,660,238	1,034,261	370,736	77,500	59,425,565
Accumulated Depreciation	(35,458,148)	(4,350,543)	(7,289,862)	(802,817)	(199,555)	(69,750)	(48,170,675)
Net Book Value	8,661,161	812,978	1,370,376	231,444	171,181	7,750	11,254,890
Year ended December 31, 2011: Opening Book Value	8,661,161	812,978	1,370,376	231,444	171,181	7,750	11,254,890
Additions	-	1,134,304	1,652,504	76,295	514,878	-	3,377,981
Disposals	-	-	(1,251,906)	(29,800)	(76,829)	-	(1,358,535)
Depreciation for the year	(91,507)	(121,278)	(369,171)	(51,388)	(399,014)	-	(1,032,358)
Accumulated depreciation on assets disposed			1,108,210	26,820	69,146	-	1,204,176
Error in computation of depreciation	87,624						87,624
Closing Net Book Value	8,657,278	1,826,004	2,510,013	253,371	279,362	7,750	13,533,778
As of December 31, 2012							
Cost	44,119,309	6,297,825	9,060,836	1,080,756	808,785	77,500	61,445,011
Accumulated Depreciation	(35,462,031)	(4,471,821)	(6,550,823)	(827,385)	(529,423)	(69,750)	(47,911,233)
Net Book Value	8,657,278	1,826,004	2,510,013	253,371	279,362	7,750	13,533,778

Buildings consist of two condominium units at Legaspi Towers 300 in Manila and the Zamboanga Convention Center with historical costs of P8,762,466 and P32,631,407, respectively.

9. OTHER ASSETS

The details of this account are as follows:

Particulars	2012	2011
Restricted Fund - Cash	23,694,923	-
Cash advances granted to overseas officers	602,643	602,643
Total Other Current Assets	24,297,566	602,643

Restricted Fund consists mainly of the 10% funds for promotions and marketing that is set aside as Special Contingency Fund of TPB and is deposited with LBP.

Cash advances granted to overseas officers refer to those advances granted to overseas officers whose whereabouts can no longer be located.

10. PAYABLE ACCOUNTS

This account consists of the following:

Particulars	2012	2011
Accounts payable	8,058,308	4,230,967
Due to officers and employees	360,200	355,777
Total Payable Accounts	8,418,508	4,586,744

Accounts payable represents outstanding unpaid obligations to suppliers and contractors.

Due to officers and employees represents unpaid salaries and allowances.

11. INTER-AGENCY PAYABLES

The account consists of payables to the following:

Particulars	2012	2011
Due to Bureau of Internal Revenue (BIR)	1,003,363	646,560
Due to GSIS	601,116	551,254
Due to PAG-IBIG	8,721	6,375
Due to PHILHEALTH	2,196	1,846
Due to Other National Government Agencies (NGAs)	42,097,844	21,663,827
Due to Other Government-Owned or Controlled Corporations (GOCCs)	7,444,725	7,776,294
Total Inter-Agency Payables	51,157,965	30,646,156

The Due to Other NGAs represents advances received for the implementation of various tourism promotional/marketing projects from the Department of Tourism (DOT), and those from the Philippine Tourism Authority (now TIEZA) and the Duty Free Philippines Corporation (DFPC) are reported as Due to Other GOCCs.

12. OTHER CURRENT LIABILITIES

This consists of the following:

Particulars	2012	2011
Performance/Bidders' Bonds Payable	273,206	-
Other Payables	6,372,465	2,182,157

Total Other Current Liabilities	6,645,671	2,182,157
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Other Payables are composed mainly of outstanding/unreleased checks amounting to P6,313,466.

13. DEFERRED CREDITS

This account consists of participation fees collected for the 2013 Meetings Incentives Convention Exhibition Conference (MICECON).

14. GENERAL INCOME

This account consists of the following:

Particulars	2012	2011
Subsidy Income-		
Subsidy from the National Government	250,000,000	65,000,000
Subsidy from Other National Government Agencies –10% share of TPB from the net income of Duty Free Phils. remitted to DOT	19,200,000	17,500,000
	269,200,000	82,500,000
Service Income-		
Participation fees	625,821	2,913,435
Business Income-		
Rent income	219,000	200,750
Other General Income-		
Dividend income	5,380	12,260
Miscellaneous income	10,468,041	2,019,431
	10,473,421	2,031,691
Total General Income	280,518,242	87,645,876

The subsidy income is the appropriation provided by the national government to the corporation for its promotions and marketing expenses.

The subsidy from other national government agency, the DOT, amounting to P19,200,000 represents 10 percent of the TPB share out of the 70% of the 50% of the DOT from the DFPC's 2011 net income which was utilized for its administrative and operating expenses.

TPB did not received entirely the funds nor DFPC remitted directly the funds as provided under R.A. 9593, otherwise known as the Tourism Act of 2009.

Service income on participation fees was collected from participants to tourism-related seminars and conference/exhibits.

Rent income consists of the collection from the Department of Agrarian Reform - Region XII for the rental of an office space at Zamboanga Convention Center.

Dividend income consists mainly of dividends received from PLDT.

Other/miscellaneous income consists of income from sale of scrap materials, supplies and sponsorships to projects.

15. INTEREST INCOME

The increase in interest income for the year was due to the investment of P57 million in a high-yield savings with Land Bank of the Philippines.

16. EXPENDITURES

The accounts consist of the following:

Particulars	2012	2011
Personal services		
Salaries and wages	31,300,760	29,412,573
Other compensation	8,487,380	8,074,568
Other personnel benefits	6,639,597	6,640,524
Personnel benefits contribution	4,284,153	4,173,118
	50,711,890	48,300,783
Maintenance and other operating expenses		
Promotional and marketing expenses	28,114,016	8,798,353
Professional services	7,726,433	8,270,087
Supplies and materials expense	2,445,927	2,243,334
Utility expenses	2,361,217	1,999,724
Communication expenses	1,640,655	1,570,401
Representation expenses	1,445,061	976,720
Rent expenses	1,060,751	1,358,718
Printing and binding	1,019,069	-
Non-cash expenses	944,733	545,208
Repairs and maintenance	835,872	1,176,929
Taxes, insurance premiums and other fees	720,620	788,907
Membership dues and contributions to Organizations	710,181	601,064
Gender and Development Expenses	336,583	-
Training expenses	260,132	555,175
Delivery expenses	206,141	219,538
Subscription expenses	96,497	127,938
Donations	59,000	-
Traveling expense	48,293	51,875
Cultural and athletic expenses	-	78,864
Miscellaneous expense	68,483	66,782
	50,099,664	29,429,617
Financial expenses	103,202	83,630
Total Expenditures	100,914,756	77,814,030

17. LOSS ON FOREIGN EXCHANGE

The loss on foreign exchange as of December 31, 2012 was as follows:

Balance of dollar deposits per books (Based on prevailing dollar rates at dates of deposit)	3,880,795
Revalued balance at P41.125 to a dollar	3,719,928
Loss on Foreign Exchange	(160,867)

18. LOSS ON SALE OF ASSETS

The loss on sale of assets as of December 31, 2012 is P154,359.00.