**PHILIPPINE CHARITY SWEEPSTAKES OFFICE**

**NOTES TO FINANCIAL STATEMENTS**

(All amounts in Philippine Peso unless otherwise stated)

1. **GENERAL INFORMATION**

The Philippine Charity Sweepstakes Office (PCSO) was created under Philippine Legislature Act No. 4130 on October 30, 1934 and later amended by Republic Act No. 1169 in 1954 and Batas Pambansa Blg. 42 on September 24, 1979. The PCSO is the principal government agency for raising and providing funds for health programs, medical assistance and services, and charities of national character.

In adherence to its main thrust of providing funds for health programs and other charities of national character, the PCSO is engaged in various social welfare and development programs. The main programs of the agency are as follows: endowment fund/quality health care program; individual medical assistance program; community outreach program; ambulance donation program; national calamity and disaster program; and hospital renovation and improvement of health care facilities. In addition, the PCSO gives mandatory contributions to the following agencies and institutions:

1. Boy Scouts of the Philippines (Commonwealth Act 595)
2. Commission on Higher Education (CHED)
3. Comprehensive and Integrated Shelter and Financing Act –

National Shelter Program

1. Dangerous Drugs Board – Comprehensive Dangerous Drugs Act of 2002
2. Department of Justice (DOJ) – Juvenile Justice and Welfare Council
3. Girl Scouts of the Philippines (RA 620)
4. Local Government Units (LGUs)
5. National Book Development Fund
6. National Council on Disability Affairs (RA 4564)
7. National Endowment Fund for Children’s Television
8. National Museum Endowment Fund – National Museum Act

of 1998

1. Overseas Workers Welfare Administration (OWWA) –

Congressional Migrant Workers Scholarship Fund

1. Philippine Drug Enforcement Agency (PDEA)
2. Philippine Red Cross (RA 3867 and RA 10072)
3. Philippine Sports Commission – Sports Development

Program (RA 6847)

1. Quezon Institute (RA 4703)
2. Philippine Crop Insurance Corporation
3. Committee on Migrant Workers (CMW) Scholarship Foundation
4. Quirino Medical Center
5. National Commission on Indigenous Peoples
6. Department of Foreign Affairs (DFA) Information System on Migration
7. National Voluntary Blood Services Program
8. Nutrition Foundation of the Philippines (RA4621)

It also gives regular contributions to charitable institutions engaged in giving welfare services to the children and youth who are either abandoned or exploited, the elderly, and the physically and mentally-handicapped, among others.

To support and sustain the foregoing mandated tasks, the PCSO holds and conducts charity sweepstakes, races, and lotteries and engages in health and welfare-related investments, projects, and activities to provide for permanent and continuing sources of funds for its programs. It also undertakes other activities to enhance and expand such fund-generating operations as well as strengthen the agency’s fund-management capabilities.

The main products of the PCSO are the Sweepstakes and the Lottery games. The Sweepstakes game has steadily been evolving through the years to be able to conform with the changing demand of times, to keep the game interesting to all Sweepstakes enthusiasts, to attract more clients, and to maintain a variety of Sweepstakes products readily available in the market. Various game types have been introduced and other game innovations are constantly being conceptualized, particularly the traditional; and scratch and match variety**.**

1. **Lotto Games**

The PCSO offers five (5) 6-pick number games namely; Lotto 6/42, Mega Lotto 6/45, Super Lotto 6/49, Grand Lotto 6/55 and the Ultra Lotto 6/58. All of these number games can be played using the system play (systems 7 to 12), 5 Roll, and Lucky Pick.

The PCSO Board of Directors approved the implementation of the grant of one percent (1%) share on Jackpot Winnings to Lotto Agents who had sold the Jackpot winning Ticket, not to exceed the amount of One Million Pesos (P1,000,000), to be taken from the Jackpot Prizes of the winners as per Board Resolution No. 223 Series of 2017 dated September 28, 2017.

The new Lotto Minimum Jackpot Prize (net of 1% Agent’s Share) was implemented effective October 15, 2017 per Memorandum Order No. 2017-192, as presented:

|  |  |  |
| --- | --- | --- |
| **Type of Game** | **Draw Days** | **Minimum Jackpot**  **Prize** |
| Lotto 6/42 | Tuesday/Thursday/Saturday | Php 5.94 Million |
| Mega Lotto 6/45 | Monday/Wednesday/Friday | Php 8.91 Million |
| Super Lotto 6/49 | Tuesday/Thursday/Sunday | Php 15.84 Million |
| Grand Lotto 6/55 | Monday/Wednesday/Saturday | Php 29.7 Million |
| Ultra Lotto 6/58 | Tuesday/Friday/Sunday | Php 49.5 Million |

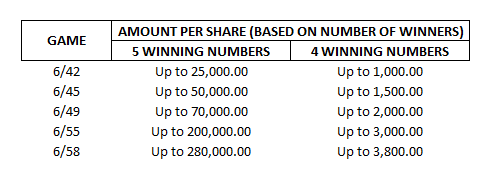
The agency also conducts the 6-digit (6D), 4-digit (4D), Suertres Lotto, and the EZ2 lotto games.

|  |  |  |
| --- | --- | --- |
| **Type of Game** | **Draw Days** | **Minimum**  **Guaranteed**  **Amount** |
| **6 Digit**  Drawn in Luzon Only | Tuesday/Thursday/Saturday | **Php150,000**  per Php 10 play |
| **4 Digit**  Drawn in Luzon, Visayas and Mindanao | Monday/Wednesday/Friday | **Php 10,000**  per Php 10 play |
| **3 Digit (Suertres)**  Drawn three times (3x) daily in  Luzon, Visayas and Mindanao | Monday to Sunday | **Php 4,500**  per Php 10 play |
| **2 Digit (EZ2)**  Drawn three times (3x) daily in Luzon, Visayas and Mindanao | Monday to Sunday | **Php 4,000**  per Php 10 play |

1. **Lotto Prize Fund and Revenue Allocation**

The PCSO Board of Directors approved the restructuring of the Lotto Prize Fund as per Board Resolution No. 295 Series of 2012 dated September 10, 2012 and the pari-mutuel prize system on all digit games with capping on the First Prize as per Board Resolution No. 320 Series of 2012 dated October 04, 2012.

The new Lotto price increase per bet and new prize structure were implemented effective May 17, 2013 as per Lotto Circular 2013-02.



1. **PCSO Lotto Express (KENO)**

The PCSO Lotto Express (Keno) started its selling and draw operations on March 06, 2006 with only six (6) outlets in the National Capital Region (NCR).

As of December 31, 2017, there were 1,775 active outlets nationwide. The Keno game can be played from choosing your numbers or Lucky Pick from Spot 1 to Spot 10, Hi or Low. Twenty (20) Keno winning numbers, out of eighty (80) numbers, are electronically drawn thru an application program called “Random Number Generator” which is being simultaneously displayed in every outlet nationwide. The Keno draw is being held every 10 minutes’ interval, from 7:00 am to 12:00 mn, from Monday to Sunday. With the base price of P10 only, jackpot prizes can be won ranging from a minimum of P25 (Spot 1) to as high as P1, 000,000 (Spot 10).

**D. Small Town Lottery**

In pursuit of its mandate and directives of the President of the Philippines, the PCSO Board of Directors conducted experimental test-run for the Small Town Lottery (STL) Operations, and thereafter evaluated its feasibility. Through Board Resolution No. 2433, Series of 2009, approved on 18 December 2009, STL was declared as one of the regular products of the PCSO. Further, Board Resolution No. 019 Series of 2016, approved the expansion of STL operations in other provinces and cities.

The STL shall be implemented locally all over the country through Authorized Agent Corporations (AAC), taking into consideration the manpower of the PCSO and other relevant factors, as may be determined by the PCSO Board of Directors. It shall be the only legal and authorized numbers game nationwide, and the PCSO Authorized Agent Corporations (AAC) are the only entities or persons authorized to operate and conduct STL in their areas operation.

The Small Town Lottery (STL) shall be implemented with the following objectives:

1. To raise additional funds for PCSO’s health programs, medical assistance and services, and charities of national character;
2. To provide funds to various local government units for their health programs and medical assistance and services;
3. To provide an alternative to illegal number games/operations and to aid their eradication (to stamp out jueteng and “masiao”); and
4. To provide additional opportunities for employment.

STL Area of Operation applied for by the AAC could be a province or a chartered city; provided, however, that in the case of Metro Manila, the STL area of Operation shall be in accordance with the following districts:

1. Southern District comprising of the Cities Makati, Pateros, Taguig, Muntinlupa, Las Pinas, Paranaque, and Pasay
2. Western District comprising the City of Manila only;

Central District comprising Quezon City only;

1. Northern District comprising the Cities of Caloocan, Malabon, Navotas and Valenzuela; and,
2. Eastern District comprising the Cities of Pasig, Mandaluyong, San Juan and Marikina;

As of December 31, 2017, there were 84 operational STL AAC nationwide:

|  |  |
| --- | --- |
| National Capital Region | 5 |
| Northern and Central Luzon | 21 |
| Southern Tagalog and Bicol Region | 16 |
| Visayas Region | 21 |
| Mindanao Region | 21 |

The Small Town Lottery (STL) Games;

|  |  |  |  |
| --- | --- | --- | --- |
| Name | Number Range | Description | Pay-Out |
| 2-Number Game | 1 – 31 | A combination of two (2) numbers is drawn, one from each set within the number range.  A player wins if his chosen combination matches that of the drawn combination in exact order. | P1:P400 |
| Suwer3 | 0 – 9 | A combination of three (3) numbers is drawn, one from each set within the number range.  A player wins if his chosen combination matches that of the drawn combination in exact order. | P1:P450 |
| Pares | 1 – 38 | A combination of two (2) numbers is drawn, one from each set within the number range.  A player wins if his chosen combination matches that of the drawn combination in exact order. | P1:P800 |
| Other variations or games with designs and features which may hereafter be requested by the AAC and authorized by the PCSO Board of Directors. | | | |

The PCSO monthly Gross Sales Receipts for STL would be based on approved minimum Presumptive Monthly Retail Receipts (PMRR) of an AAC subject to periodic review.

The monthly share from STL sales is equivalent to 12.15% of the Gross Receipts for the STL Charity Fund and 4.7% for the Operating Fund. On 24 April 2017, under Board Resolution No. 0063, s. 2017, PCSO’s monthly share for the STL Charity Fund was decreased from 12.90% on the First Quarter of 2017 to provide better assistance to Congressional District and Provincial Government.

The revised STL Implementing Rules and Regulations (IRR) aims to improve the STL operations and cover the nationwide expansion of STL operations.

Hereunder are the changes in Revenue Allocation based on Board Resolution No. 511 series of 2014 and its revised version under Board Resolution No. D-0020, s. 2016. Please note that the PNP Share was further revised on 24 November 2016 because of the PNP-intensified activities. Also under Board Resolution No. 0063, s. 2017 Congressional District and Provincial Government share were revised on April 24, 2017, as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Particulars** | **BR No.**  **511**  **s. 2014** | **BR No.**  **D-0020**  **s. 2016** | **BR No.**  **D-0063**  **s. 2016** | **BR No.**  **D-0063**  **s. 2017** |
| **I. Gross Sales** | 100.00% | 100.00% | 100.00% | 100.00% |
| Printing Cost | 2.00% | 2.00% | 2.00% | 2.00% |
| **II. Net Sales** | 98.00% | 98.00% | 98.00% | 98.00% |
|  |  |  |  |  |
| **III. PRIZE FUND (55% of Net Sales)** | 53.90% | 53.90% | 53.90% | 53.90% |
| Agency Commission | 10.00% | 10.00% | 10.00% | 10.00% |
| Net Agency Fee | 9.00% | 9.00% | 9.00% | 9.00% |
| BIR Tax (5% of PF) | 2.695% | 2.695% | 2.695% | 2.695% |
| Net Prize Fund | 41.205% | 41.205% | 41.205% | 41.205% |
|  |  |  |  |  |
| **IV. CHARITY FUND (30% of Net Sales)** | 29.40% | 29.40% | 29.40% | 29.40% |
| City/Municipality | **7.00%** | **3.00%** | 3.00% | 3.00% |
| Congressional District | **1.00%** | **0.25%** | 0.25% | **0.75%** |
| Provincial Government | **1.50%** | **0.75%** | 0.75% | **1.00%** |
| Philippine National Police | **3.00%** | **2.50%** | 2.50% | 2.50% |
| National Headquarters  Police Regional Office  Police Provincial Office  Local Police Station  CIDG-National  CIDG-Regional  CIDG-Provincial | **0.50%**  **0.50%**  **1.00%**  **1.00%**  0.20%  0.20%  0.10% | **0.40%**  **0.40%**  **0.60%**  **0.60%**  **0.20%**  **0.20%**  **0.10%** | 0.40%  0.40%  **0.50%**  **0.70%**  0.20%  0.20%  0.10% | 0.40%  0.40%  0.50%  0.70%  0.20%  0.20%  0.10% |
| Documentary Stamp Tax | 10.00% | 10.00% | 10.00% | 10.00% |
| PCSO Charity Fund | 6.90% | 12.90% | 12.90% | 12.15% |
| **V. OPERATING FUND (15% of Net Sales)** | 14.70% | 14.70% | 14.70% | 14.70% |
| Operating Fund Expenses (AAC) | 10.00% | 10.00% | 10.00% | 10.00% |
| Operating Fund Expenses (PCSO) | 4.70% | 4.70% | 4.70% | 4.70% |
| **TOTAL** | **98.00%** | **98.00%** | **98.00%** | **98.00%** |

**E. Scratch-It**

Scratch-It is a PCSO lottery game that involves **scratching a play area** on a ticket to reveal a winning symbol or pattern equivalent to a cash prize that is **paid to the player immediately.** There are two (2) price points for Scratch it tickets: **P20** with prizes of up to **P**200, 000 and **P50** which can win up to **P**500,000. The game’s prize tiers differ from each other, ranging from P20 (balik-taya) to P500, 000 jackpot prize. All prizes paid are **tax-free** as provided for under Section 4 of RA 1169, as amended.

The Memorandum of Agreement (MOA) with Pacific Online Systems Corporation has expired on 30 November 2016, however, Article 1 of the MOA provides that “all tickets disbursed within the aforesaid period shall be allowed to be marketed continuously until fully-sold and the corresponding winnings thereof shall be honored and paid even after the period herein provided.”

**F. Peryahan Game**

The Peryahan game is on a one (1) year experimental/test run period, approved by virtue of a Deed of Authority dated April 2, 2014 executed by PCSO and Globaltech Mobile Online Corporation (Globaltech). It started its selling operation on June 28, 2014 until June 27, 2015. It has three (3) games namely: “Hulog Holen”, Throw Coins and “Gulong ng Swertes.”

The games shall be conducted nationwide through authorized agents/retailers but it will be implemented on a local government level, e.g. Autonomous Region, Region, Province, City, Municipality and Barangay. The draw will be held daily in all draw centers every 11am, 4pm and 9pm.

As of December 31, 2015, there were fifteen (15) Peryahan draw centers and more than one hundred eighty five (185) active agents nationwide.

The Board approved the request of Globaltech for an extension of the experimental/test run period three (3) times in order to give them ample time to evaluate the feasibility of regularizing the said game. However, during the evaluation, it was established that on several times between July to December 2015, Globaltech failed to remit Peryahan Sales.

PCSO Board Resolution No. 51, series of 2016, terminated Globaltech’s Deed of Authority effective 17 February 2016. The game concluded its experimental/test run operation on February 24, 2016.

The Accounting and Budget Department did not recognize Peryahan Sales in CY2016 because the remittance of PCSO share from its sales cannot be ascertained.

Order dated 11 October 2016 of the Regional Trial Court of Pasig City, Branch 161 in Civil Case No. 75148 (Globaltech Online Corporation vs PCSO), suspending the termination of Globaltech’s Deed of Authority was deferred, and instead referred to arbitration.

Status of Globaltech’s pending case:

| **Case Title** | **Nature** | **Cause of Action** | **Status** |
| --- | --- | --- | --- |
| Globaltech Mobile Online Corporation vs. PCSO (Civil Case No. 75149-PSG, RTC-Pasig City Branch 161) | Amended Complaint for Preliminary Injunction and Referral to Arbitration | Assails PCSO’s termination on 17 February 2016 of its Deed of Authority to Operate the Peryahan Games | Order dated 24 June 2016 noted without action Globaltech’s Ex-Parte Motion for Issuance of Writ of Preliminary Injunction to lift suspension and continue operations of the Peryahan games in light of PCSO’s Motion for Reconsideration. Order dated 13 October 2017 denying the application for preliminary injunction of Globaltech and directing the parties to arbitrate |
| Remeliza Gabuyo vs Jose Aguiling, et al. (directors and officers of Globaltech Mobile Online Corp.) | Criminal Complaint for estafa | Estafa was filed for Globaltech’s act of misappropriating Peryahan sales due to PCSO in the amount of Php 708,037,074.06 | PCSO’s Petition for Review of dismissal of the criminal complaint is before the Department of Justice. |
| Globaltech Mobile Online Corp. vs. PCSO | Petition for Certiorari filed before the Court of Appeals | Globaltech assails the Order dated 13 October 2017 | Pending with the Court of Appeals |
| PCSO vs. Globaltech Mobile Online Corp. | Petition for Certiorari filed before the Court of Appeals docketed as CA G.R. No. 151727 dated 08 June 2017 | PCSO assails the Orders dated 17 May 2016, 11 October 2016 and 24 April 2017, which suspended PCSO’s Notice of Termination of the DOA and directed the parties to arbitrate upon posting of bond by Globaltech | Pending with the Court of Appeals |
| Pacific Online Systems Corporation vs. Hon. Rommel Baybay, PGMC, PCSO et. Al CA-G.R. SP 141474 | Petition for Certiorari and Prohibition |  | On 08 August 2017, CA issued Resolution granting POSC’s Motion for Reconsideration and Motion to Admit Memorandum and admitting POSC’s Memorandum. The case is submitted anew for decision. |

**G. Partner Tayo**

Partner Tayo is a special program of PCSO where the primary objective is to help raise funds for Local Government Units (LGUs), Government Agencies, Non-Government Organizations (NGOs), Private Organizations, Foundations, Cooperatives and Charitable Institutions through the sales of Special Mini-Sweepstakes or Traditional Sweepstakes. A Memorandum of Agreement is executed between PCSO and will be partner-organization, wherein the partner-organization will handle the selling and distribution of booklets and PCSO will conduct the special Sweepstakes draw at the agreed upon date. The partner-organization can raise as much as P1.2M from selling 10,000 booklets.

**PCSO Rationalization Plan**

The PCSO revised Rationalization Plan was approved with modification by the Governance Commission for Government-Owned and/or Controlled Corporations (GCG) under GCG Memorandum Order No. 2013-21 dated April 01, 2013.

**Personnel Complement**

Shown below is the number of PCSO employees as of December 31, 2017:

|  |  |  |  |
| --- | --- | --- | --- |
| **Particulars** | **Head Office** | **Branch Offices** | **Total** |
| Permanent Employees | 628 | 1,099 | 1,727 |
| Co-Terminus | 50 | 54 | 104 |
| Confidential Agents | 153 | 243 | 396 |
| Consultants | 44 | 44 | 88 |
| Job Order | 71 | 111 | 182 |
| **Total** | **946** | **1,551** | **2,497** |

To address the various issues and concerns pertaining to the implementation of Rationalization Plan, a Technical Working Group (TWG) was created and led by General Manager Alexander F. Balutan.

The Members of the Board of Directors are: Jose Jorge E. Corpuz, the Chariman, Alexander F. Balutan, the General Manager and Vice-Chairman and Marlon U. Balite as Member. On December 06, 2017, Sandra M. Cam and Atty. Jesus Manuel C. Suntay were appointed as Members of the Board. Atty. Michael A. Medado is the Board Secretary.

**PCSO Offices**

The PCSO - Main Office is located at the Sun Plaza Building and Conservatory Shaw Plaza Building in Shaw Boulevard, Mandaluyong City. It has five branch operations departments, namely: National Capital Region (NCR), Northern and Central Luzon (NCL), Southern Tagalog and Bicol Region (STBR), Visayas, and Mindanao. Below is the composition of 59 Branch Offices as of December 31, 2017:

| **Regional Departments** | **Branch Offices** |
| --- | --- |
| Northern and Central Luzon | Bataan, Benguet, Bulacan, Cagayan, locos Norte (sub-branch), Ilocos Sur (sub-branch), Isabela, Kalinga, La Union (sub-branch), Mountain Province (sub-branch), Nueva Ecija, Nueva Viscaya (sub-branch), Pampanga, Pangasinan, Tarlac and Zambales |
| Southern Tagalog and Bicol Region | Albay, Batangas, Camarines Norte (sub-branch), Camarines Sur, Cavite, Laguna, Marinduque (sub-branch), Masbate (sub-branch), Occidental Mindoro (sub-branch), Oriental Mindoro, Palawan, Quezon, Rizal, Romblon (sub-branch) and Sorsogon (sub-branch). |
| Visayas  Mindanao | Aklan (sub-branch), Antique (sub-branch) Bohol, Capiz (sub-branch), Cebu, Iloilo, Leyte, Negros Occidental (Bacolod), Negros Oriental (Dumaguete), Northern Samar (sub-branch), Southern Samar Western Samar (sub-branch), Biliran (sub-branch), Eastern Samar (sub-branch), and Visayas Office of the Department Manager.  Agusan del Norte (Butuan), Bukidnon, Davao del Sur, Davao Oriental (sub-branch), Misamis Occidental (sub-branch), Misamis Oriental (Cagayan de Oro), North Cotabato, South Cotabato, Surigao del Norte (sub-branch), Zamboanga del Norte, Zamboanga del Sur, Zamboanga Sibugay andMindanao Office of the Department Manager. |

1. **OPERATIONAL HIGHLIGHTS**

For the year 2017, the PCSO extended numerous assistance through its Charity Assistance and Medical Services Departments under the following programs and projects:



The Outreach Program of the PCSO Medical Services Department which conducts free medical/dental missions was able to attend to a total of 3,482 patients from both public and private sectors in Metro Manila and other provinces.

Under the IMAP, all individuals with health problems and physical illnesses could avail themselves of medical assistance, subject to PCSO evaluation, based on existing guidelines. The medical assistance to qualified beneficiaries are extended through the release of Guarantee Letters (GLs) payable to hospitals/institutions where services have been availed of or to be availed of.

1. **BASIS OF FINANCIAL STATEMENT PRESENTATION**

The financial statements of PCSO were prepared and presented in accordance with generally accepted state accounting principles

The financial statements which include the main accounts of PCSO and accounts maintained by its Branch Offices reflect the consolidated results of operations and financial condition of the Head Office and 59 Branch Offices.

The Prize and Charity Funds which are generated from the Net Receipts at fifty-five Percent (55%) and thirty percent (30%), respectively, are presented as Intra-Agency Payables Trust Liabilities in the Financial Statements. The allocations and disbursements from these funds are being prepared in the Fund Utilization Statements.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**4.1** **Cash and Cash Equivalents**

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of 90 days or less from dates of acquisition.

* 1. **Foreign Currency Transactions**

Foreign currency denominated transactions are recorded on initial recognition in PCSO’s functional currency (Philippine peso) by applying to the foreign currency amount the exchange rate between the functional currency and the foreign currency at the date of the transaction. However, at each subsequent balance sheet date, foreign currency monetary items such as Cash in Bank – Foreign Currency are revalued at month–end, with the difference recognized in our books as Foreign Exchange Gain or Loss.

**4.3** **Provision for Bad Debts**

Accounts receivable are provided with an allowance for bad debts based on its age at the following rates:



**4.4** **Property, Plant and Equipment**

Property, Plant and Equipment (PPE) are carried at cost less accumulated depreciation and any impairment in value. Some property however, e.g. Land and Land Improvements, Buildings, and Acquired Assets are carried at appraised value.

The initial cost of Property, Plant and Equipment comprises its purchase price and costs directly attributable to bringing the asset to its working condition and location for its intended use.

Expenditures incurred after the PPE have been put into operation, such as repairs and maintenance, are normally charged to expense in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of PPE beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of PPE. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is credited or charged to current operations.

The straight-line method of depreciation is used in depreciating the PPE with estimated lives ranging from 5 to 30 years. A residual value, computed at five (5) percent of the cost of the asset, is set and depreciation starts on the first month after the purchase.

**PPE Account Estimated Life**

**in Years**

Land Improvements 10

Building – those that are predominantly

Wood 10

Mixed 20

Concrete 30

Leasehold Improvement

Land 10

Building

Wood 10

Mixed 20

Concrete 30

Office Equipment 5

Furniture and Fixtures 10

IT Equipment – Hardware 5

Library Books 5

Machineries 10

Communication Equipment 10

Medical, Dental & Laboratory Equipment 10

Military and Police Equipment 10

Sports Equipment 10

Motor Vehicles 7

Other Property, Plant & Equipment 5

*The estimated useful life shall depend on the length of the lease. It shall be the period of the lease or the estimated useful life of the assets, as given whichever is shorter.*

*A residual value equivalent to 5 percent of the acquisition cost/appraised value shall be deducted before dividing the same by the estimated life.*

**4.5 Inventory Valuation**

Inventories are carried at acquisition cost. Cost is calculated using the weighted average method.

**4.6** **Revenue Recognition**

From the gross receipts generated from the sale of sweepstakes tickets, whether for sweepstakes races, lotteries, or other similar activities, the printing cost of such tickets is deducted to arrive at the net receipts. Of these net receipts, fifty-five percent (55%) is allocated to the Prize Fund for the payment of prizes, including those for the owners, jockeys of running horses, and sellers of winning tickets. Another thirty percent (30%) is allocated to the Charity Fund from which identified priority programs, needs and requirements in specific communities take payments or grants for health programs, including the expansion of existing ones, medical assistance and services, and/or charities of national character. The remaining fifteen percent (15%), meanwhile, is set aside to the Operating Fund as contributions to the operating expenses and capital expenditures of the PCSO.

Advance sales, representing sales for future draws, are treated as unearned income or deferred credits.

**4.7** **Accrual Method of Accounting**

PCSO uses the accrual method of accounting in recognizing income and expenses.

**4.8 Treatment of Capital and Expenses**

Agency’s expenses and capital expenditures are classified on a departmental basis to conform with the budget requirement that expenses incurred by each department in the agency will be monitored to make sure that expenditures are within the allotted budget.

1. Purchases for supplies and materials are treated as asset account since these form part of the inventory which issuances are taken up in the consumption report being submitted by the concerned department.
2. Prepayments are recognized when expenses incurred have future benefits of more than one accounting period.

**4.9 Consolidation of Financial Statements**

The financial statements of PCSO reflect the consolidated results of operations and financial condition of the Head Office and the 59 Branch Offices.

The Centralized Accounting System was adopted last January 2013, wherein the Personal Services Expenses are being processed in the Head Office; however, the Maintenance and Other Operating Expenses and the Capital Outlay as well as the Charity Fund and the Prize Fund are still being maintained in the books of the Branch Offices.

All Branch Offices are being required by the Accounting and Budget Department to submit monthly summaries of the Cash in Bank Registers for all accounts, Cash Receipts Register and as well as recapitulation of summaries of Cash in Bank Registers, Cash Receipts Register and General Journal to arrive at the agency’s financial position and results of operations.

1. **CASH AND CASH EQUIVALENTS**

This account consists of the following:

|  |  |  |
| --- | --- | --- |
|  | **2017** | **2016** |
| Cash in Bank | 10,315,053,913 | 5,663,574,426 |
| Cash – Disbursing Officers | 18,388,684 | 18,516,288 |
| Cash – Collecting Officers | 10,847,394 | 6,765,725 |
| Petty Cash Fund | 81,709 | 143,907 |
| **Total** | **10,344,371,700** | **5,689,000,346** |

Cash in Bank represents the bank accounts (savings and current account) with the Land Bank of the Philippines (LBP) and the Philippine National Bank (PNB) maintained by the Home Office and branches.

Cash – Disbursing Officers represents amount of cash advances granted to designated Regular/Special Disbursing Officers for payment of authorized official expenditures and payment of lotto prizes Ten Thousand Pesos (P10,000.00) and below.

Cash – Collecting Officers represents amount of collections made by the Collecting Officers that are deposited at the end of the day.

Cash equivalents consist of premium savings account (PNB), high-yield savings account (LBP) and special savings deposits (DBP) with maturity period of three months or less from date of acquisition.

1. **SHORT AND LONG-TERM INVESTMENTS**

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **2017** | **2016** |
| **Short-Term Investments** | |  |  |
|  | Cash in Bank – Local Currency, Time Deposits | 3,083,343,781 | 3,571,955,798 |
|  | Cash in Bank – Foreign Currency, Time Deposits | 105,278,026 | 103,857,705 |
|  | | 3,188,621,807 | 3,675,813,503 |
| **Long-Term Investments** | |  |  |
|  | Cash in Bank – Local Currency, Time Deposits | 215,933,801 | 215,068,855 |
| **Total** | | **3,404,555,608** | **3,890,882,358** |

Short-term investments consist of premium savings account (PNB), high-yield savings account (LBP) and special savings account (DBP) with maturity period of 91-182 days. It also includes dollar placements amounting to $2,108,512.44 in the form of time deposits with the Development Bank of the Philippines (DBP) which were translated based on the Bangko Sentral ng Pilipinas month-end rate of USD1=P49.930 on December 31, 2017.

Long-term investments consist of dollar placements with Land Bank of the Philippines (LBP) amounting to $4,324,730.65 with a maturity period of two (2) years which were translated based on the Bangko Sentral ng Pilipinas month-end rate of USD1=P49.930 on December 31, 2017.

1. **RECEIVABLES – NET**

This account consists of the following:

|  |  |  |
| --- | --- | --- |
|  | **2017** | **2016**  **(As Restated)** |
| Accounts Receivable | 1.330,401,291 | 1,388,098,632 |
| Allowance for Bad Debts | 163,869,686 | 163,869,686 |
|  | 1,166,531,605 | 1,224,228,946 |
| Due from Officers and Employees | 80,533,168 | 85,214,813 |
| Due from Branch Offices | 20,412,036 | 19,733,459 |
| Receivables Disallowance | 4,263,456 | 4,975,481 |
| Other Receivables | 28,062,553 | 40,937,117 |
| **Total** | **1,299,802,818** | **1,375,089,816** |

In conformity with PAS No. 8, Receivable accounts are restated as follows:

|  |  |
| --- | --- |
| Unrestated amount as of December 31, 2016 | 85,259,123 |
| Recording of Liquidation Expenses | (44,310) |
| **Restated Amount as of December 31, 2016 - A/R - Due from Officers and Employees** | **85,214,813** |

|  |  |
| --- | --- |
| Unrestated Amount as of December 31, 2016 | 42,812,841 |
| Adjustment on Installation Fee - Head Office | (2,970) |
| Unrecorded STL remittances (OF) for the CY 2014 | 2,297,267 |
| Income from donation | 653,000 |
| Adjustment on Interest on Savings | (4,705,824) |
| Adjustment on Interest on Miscellaneous Income - Branch | (160) |
| Adjustment on Sales of Waste Materials Income - Zamboanga Del Sur Branch | (3,620) |
| Adjustment on Interest on Defaulted Tricket/Accounts - Bohol Branch | 185 |
| Adjustment on Interest on Gain/Loss on Sales of Disposed Assets - Bulacan Branch | (88,612) |
| Adjustment on Application/Processing Fee - Sorsogon Branch | 5,000 |
| Adjustment on Installation Fee - North Cotabato Branch | (30,000) |
| Adjustment on Lost Tickets - Isabela Branch | 10 |
| **Restated Amount as of December 31, 2016 - A/R - Others** | **40,937,117** |

Accounts Receivable pertains to unremitted sales of Sweepstakes, Keno and Lotto Agents, STL AACs, and Peryahan (Globaltech Mobile Online Corporation).

Due from officers and employees account refers to cash advances granted for official travel and other special purpose/time-bound undertakings. This includes personal accounts of officers and employees, such as but not limited to car loan assistance program (CLAP) and tax deficiencies.

Receivable Disallowance represents COA disallowances on the payment of various benefits to the employees of PCSO Branch Offices.

Other Receivables represents accruals of interest income from various bank accounts for the period ended December 31, 2017 and other receivables from employees other than cash advances and disallowances.

1. **INVENTORIES**

This account consists of the following:

|  |  |  |
| --- | --- | --- |
|  | **2017** | **2016**  **(As Restated)** |
| Drugs and Medicines Inventory | 5,262,651 | 35,005,607 |
| Office Supplies Inventory | 17,153,180 | 17,975,745 |
| Other Supplies Inventory | 14,331,412 | 170,796,076 |
| **Total** | **36,747,243** | **223,777,428** |

In conformity with PAS No. 8, Office Supplies Inventory account is restated as follows:

|  |  |
| --- | --- |
| Unrestated amount as of December 31, 2016 | 21,358,622 |
| Adjustments on Office Supplies Inventory | (221,900) |
| Recording of office supplies consumption - May to December 2016 | (3,160,977) |
| **Restated Amount as of December 31, 2016– Office Supplies Inventory** | **17,975,745** |

|  |  |
| --- | --- |
| Unrestated amount as of December 31, 2016 | 171,444,963 |
| Adjustments on Office Supplies Inventory | (228,023) |
| Recording of office supplies consumption - May to December 2016 | (420,864) |
| **Restated Amount as of December 31, 2016– Other Supplies Inventory** | **170,796,076** |

The account Drugs and Medicines Inventory pertains to the cost of drugs and medicines purchased/received for stock/use in office operations/projects. It also includes Medical, Dental and Laboratory supplies.

The account Office Supplies Inventory pertains to the cost of office supplies purchased/received for use in office operations.

The Other Supplies Inventory consists of printing and lotto supplies such as thermal rolls, play slips and check master safety papers.

1. **PREPAYMENTS**

This account consists of the following:

|  |  |  |
| --- | --- | --- |
|  | **2017** | **2016** |
| Prepaid Rent | 12,414,317 | 12,294,317 |
| Prepaid Insurance | 1,423,547 | 1,415,392 |
| Deferred Charges | 780 | 780 |
| Other Prepaid Expenses | 1,522,262 | 571,275 |
| **Total** | **15,360,906** | **14,281,764** |

Prepaid Rent pertains to the advance deposits for lease/rentals of property, plant and equipment used in operations.

Prepaid Insurance pertain mainly to the insurance paid to the GSIS-General Insurance Group for PCSO motor vehicles, facilities, properties, and insurances of PCSO officials as bonds to cover any liability that the officials may incur.

Other Prepaid Expenses pertain to commission on advance sales for the period ended December 31, 2017. This also includes remittance of Lottery Online draw allowance of COA Representatives for the period September to December 2017.

1. **OTHER CURRENT ASSETS**

This account consists of the following:

|  |  |  |
| --- | --- | --- |
|  | **2017** | **2016**  **(As Restated)** |
| Guaranty Deposits | 19,806,800 | 19,944,294 |
| Other Current Assets | 102,332 | 125,582 |
| **Total** | **19,909,132** | **20,069,876** |

In conformity with PAS No. 8, the Guaranty Deposits account is restated as follows:

|  |  |
| --- | --- |
| Unrestated amount as of December 31, 2016 | 19,904,652 |
| Net adjustments made by Rizal Branch | 39,642 |
| **Restated amount as of December 31, 2016 – Guaranty Deposits** | **19,944,294** |

This account represents guaranty deposits paid to utility companies, namely: Manila Electric Company and Philippine Long Distance Telephone Company. It also includes guaranty deposits for the lease/rentals of the buildings located in Shaw Blvd., Mandaluyong City that are currently being occupied by Philippine Charity Sweepstakes Office.

1. **HELD-TO-MATURITY INVESTMENTS**

This account consists mainly of Treasury Bills/ Government Securities placement with Land Bank of the Philippines (LBP) and Development Bank of the Philippines (DBP) amounting to P150M and P200M respectively, with maturities in 2019 and 2023. It also includes the P2.5 Billion (plus earned interest) allocated for the construction of PCSO Building that was placed in PCSO Trust Fund Account pursuant to Board Resolution No. 158 series of 2014 with amendments under Board Res. No. 352 series of 2016.

1. **PROPERTY, PLANT AND EQUIPMENT- NET**

This account comprises the following:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **Land and Land Improvements** | **Building & Leasehold Improvements** | **Office Furniture, Equipment and Machineries** | **Telecom, Equipment, IT Equipment & Software** | **Motor Vehicles** | **Construction in-Progress** | **Total** |
| **Cost:** |  |  |  |  |  |  |  |
| January 1, 2017 | 749,086,000 | 76,564,311 | 289,558,208 | 240,713,183 | 106,196,169 | 76,593 | 1,462,194,464 |
| Additions |  | 2,632,265 | 32,281,391 | 42,845,612 |  |  | 77,759,268 |
| Transfer to Other Assets |  |  | (1,599,953) | (1,365,833) | (1,998,000) |  | (4,963,786) |
| PPE Reclassification |  | 23,951 | 2,086,238 | 2,513,946 | (24,311) | (76,593) | 4,523,231 |
| Reclass to Semi – Expendable Expenses |  |  | (3,462,676) | (4,377,609) |  |  | (7,840,285) |
| Adjustments | 8,454,025 | (5,754,927) | 5,377,880 | 13,346,608 | 3,542,727 |  | 24,966,313 |
| December 31, 2017 | 757,540,025 | 73,465,600 | 324,241,088 | 293,675,907 | 107,716,585 | 0 | 1,556,639,205 |
|  |  |  |  |  |  |  |  |
| **Accumulated Depreciation:** | |  |  |  |  |  |  |
| January 1, 2017 | 0 | (29,603,236) | (107,804,965) | (126,026,860) | (81,888,729) | 0 | (345,323,790) |
| Depreciation | 0 | (9,876,365) | (16,860,191) | (50,610,138) | (6,353,411) | 0 | (83,700,105) |
| Adjustments |  | 5,603,761 | 3,019,657 | 853,686 | 3,701,242 |  | 13,178,346 |
| December 31, 2017 | 0 | (33,875,840) | (121,645,499) | (175,783,312) | (84,540,898) | 0 | (415,845,549) |
|  |  |  |  |  |  |  |  |
| **Carrying Amount:** |  |  |  |  |  |  |  |
| December 31, 2017 | 757,540,025 | 39,589,760 | 202,595,589 | 117,982,595 | 23,175,687 | 0 | 1,140,793,656 |
|  |  |  |  |  |  |  |  |
| Unrestated balance, December 31, 2016 | 749,086,000 | 46,961,075 | 181,753,243 | 114,686,323 | 24,307,440 | 76,593 | 1,116,870,674 |
| Restatement |  | 3,955,049 | (335,296) | (1,480,386) | (843,590) |  | 1,295,777 |
| Restated balance, December 31, 2016 | 749,086,000 | 50,916,124 | 181,417,947 | 113,205,937 | 23,463,850 | 76,593 | 1,118,166,451 |

In conformity with PAS No. 8, the PPE accounts are restated as follows:

|  |  |
| --- | --- |
| Unrestated Amount as of December 31, 2016 | 46,961,075 |
| Adjustment/Recording/Reclassification on Leasehold Improvements - Head Office | (25,362) |
| Adjustment/Recording/Reclassification on Leasehold Improvements - Branches | 4,179 |
| Adjustment/Recording/Reclassification on Office Building - Head Office | (223,889) |
| Adjustment/Recording/Reclassification on Depreciation - Head Office | 4,210,150 |
| Adjustment/Recording/Reclassification on Depreciation - Branches | (10,029) |
| **Restated Amount as of December 31, 2016 - Building & Leasehold Improvements** | **50,916,124** |

|  |  |
| --- | --- |
| Unrestated Amount as of December 31, 2016 | 181,753,243 |
| Adjustment/Recording/Reclassification on Depreciation - Head Office | (165,771) |
| Adjustment/Recording/Reclassification on Depreciation - Branches | (169,525) |
| **Restated Amount as of December 31, 2016 - Office Furniture, Equipment and Machineries** | **181,417,947** |

|  |  |
| --- | --- |
| Unrestated Amount as of December 31, 2016 | 114,686,323 |
| Adjustment/Recording/Reclassification on Depreciation - Head Office | (1,397,467) |
| Adjustment/Recording/Reclassification on Depreciation - Branches | (82,919) |
| **Restated Amount as of December 31, 2016 - Telecom, Equipment, IT Equipment & Software** | **113,205,937** |

|  |  |
| --- | --- |
| Unrestated Amount as of December 31, 2016 | 24,307,441 |
| Adjustment/Recording/Reclassification on Depreciation - Head Office | (748,198) |
| Adjustment/Recording/Reclassification on Depreciation - Branches | (95,393) |
| **Restated Amount as of December 31, 2016 - PPE - Motor Vehicles** | **23,463,850** |

The Office Furniture, Equipment and Machineries include the purchase of 1-unit Brand New 4 Color Offset B2 Size Printing Machine worth P30,000,000.00 to be used by the Security Printing and Production Department. The balance pertains to the cost of various items procured by various PCSO offices.

Additions to Telecom, IT Equipment and Software account consist of 14 units of Desktop Computers (P429, 420.00), Microsoft Software Assurance Renewal (P8,217,029.38) and Microsoft Premiere Support Services (P29,437,868.29).

Fixed Assets recorded from Office Equipment (221) down to Other Property, Plant and Equipment (250) were reclassified to have proper identification to which account code it belongs. Uniform Classification of Account Code and Class Description were made due to recording of same asset description to different account codes for prior period purchases. A meeting was held last June 5, 2017, together with Assets and Supply Management Department (ASMD), Accounting and Budget Department (ABD), Branch Operations Sector (BOS) and Internal Audit Services (IAS), to come up with detailed asset description that must be recorded in each account codes. The account code and its examples are consolidated and agreed to implement as follows:

**Office Equipment (221)** – air-conditioning units (ACU), binding machine (BIN), typewriter (TYP), check writer (CKW), duplicating machine (DUP), punching machine (PUN), stamping machine (STP), shredder machine (SHR), bill counting machine (BCM), laminating machine (LAM).

**Furniture and Fixtures (222)** – blinds (BLI), cashier/teller booth (CTB), cabinet (CAB), chairs (CHA), divider (DIV), partition/workstation (PNW), racking system (RAC), table (TAB), vault (VLT) and table accessories (TBA).

**IT Equipment and Software (223)** – computer desktop in set (DES), Ipad (IPD), computer parts and accessories (CPA), data center equipment (DCE), printer (PRI), projector and accessories (PRO), scanner (SCA), network devices (NTD), storage devices (STD), server (SVR), software (SFW).

**Books (224)** – hardbound/electronic books (BKS).

**Machinery & Equipment (226)** - draw equipment and accessories (DEA).

**Telecommunication Equipment (229)** – camera and accessories (CAM), handheld radio and accessories (RAD), lapell (LPL), telephone apparatus (TEL), mobile phone (MOB), voice recorder (VOI), sound system (SSM), television and accessories (TVN), cassette recorder (CAS), CD player (CDP), DVD player (DVD) and VHS player.

**Medical, Dental and Laboratory Equipment (233)** – dental, medical and laboratory equipment/apparatus/instrument.

**Military and Police Equipment (234)** – firearms and accessories (FNA) and CCTV System in set (CTV).

**Sports Equipment (235)** – sports equipment and accessories (SEA).

**Other Machinery and Equipment (240)** – printing equipment and accessories (PEA).

**Motor Vehicles (241)** – motor vehicle (VEH).

**Other Property, Plant and Equipment (250)** – container van (CVN), generator set (GEN), fan (FAN), kitchen appliances (KAP), kitchen articles (KNA) and general services tools and equipment (GST) such finger time recorder, signage, tent, GST tools, air ionizer, air compressor, dehumidifier, forklift and other unidentified items.

Due to lack of documentation for the year 2010 and below, only purchases from 2011 to 2016 were accounted into the accounting books. Reconciliation of Head Office Inventories in the accounting records versus Asset and Supply Management (ASMD) Inventories were made and semi expendables/condemn assets were also identified.

1. **OTHER ASSETS**

This account consists of the following:

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | **2017** | **2016**  **(As Restated)** |
| Cash Bond – STL/Keno/Lotto | | 3,282,334,508 | 502,650,499 |
| Ambulance | | 0 | 187,902,000 |
| Accounts Receivable – Disallowances | | 39,685,440 | 39,685,440 |
| Prize Seed Fund Accounts | |  |  |
|  | Pacific Online System Company (POSC) | 4,436,010 | 4,716,079 |
|  | Philippine Gaming Management Corporation (PGMC) | 295,190 | 738,300 |
|  | Comnet Management Corporation – Bingo Milyonaryo | 825,800 | 825,800 |
|  | Globaltech Mobile Online Corporation/Loterya ng Bayan | 9,016,448 | 8,997,993 |
|  | Others | 6,007,353 | 6,816,615 |
| **Total** | | **3,342,600,749** | **752,332,726** |

In conformity with PAS No. 8, Other Assets-Others account is restated as follows:

|  |  |
| --- | --- |
| Unrestated amount as of December 31, 2016 | 6,818,083 |
| Adjustment/recording of Other Assets – Rizal Branch | (1,468) |
| **Restated amount as of December 31, 2016 – Other Assets-Others** | **6,816,615** |

The Cash Bond STL account represents the deposits of cash bond of Small Town Lottery agents in the amount of P15,000,000.00 or one month of the approved Presumptive Monthly Retail Receipt (PMRR), whichever is higher and should be paid within fifteen (15) days from receipt of Order of Payment from the Branch Operations Sector upon compliance with all post-approval requirements.

Accounts Receivable – Disallowances consist of claims for disallowed payments of employees benefits of P12,965,440 while the remaining balance of P26,720,000 represents payments to various advertising agencies which are under court litigation after the PCSO filed cases against the claimants and some accountable PCSO officials for estafa through falsification of official documents. The corresponding credit to Contingent Surplus account was subsequently credited to prior years’ adjustments and eventually closed to the Retained Earnings account.

The Prize Seed Fund Accounts – POSC/PGMC/COMNET Management Corporation represents cash entrusted/deposited to PCSO bank account by Pacific Online System Company, Philippine Gaming Management Corporation and COMNET Management Corporation for payment of prizes for Scratch and Match winning tickets and Bingo Milyonaryo.

The Other Assets – Others comprise mainly of Cash in Bank (Savings) for CISCO account. The escrow deposit of Mark Sensing Ltd. retained by PCSO is in compliance with the court order to withhold 24.5 percent commission of CISCO on PCSO’s lotto supplies purchases with Mark Sensing Ltd. (*Reference:* *Civil Case No. Q-05-54756*). This also includes unserviceable/condemned properties of various branches and acquired assets where Certificates of Title are not yet transferred to PCSO.

1. **ACCOUNTS PAYABLE**

This account consists of the following:

|  |  |  |
| --- | --- | --- |
|  | **2017** | **2016**  **(As Restated)** |
| Miscellaneous Accounts Payable | 6,634,706,190 | 4,553,162,076 |
| Vouchers Payable – Charity Fund | 1,930,859,430 | 1,034,571,246 |
| Rental and Maintenance | 310,367,079 | 114,817,446 |
| Vouchers Payable – Operating Fund | 104,545,223 | 99,092,047 |
| Vouchers Payable – Prize Fund | 84,320,382 | 123,303,042 |
| Due to Officers and Employees | 5,711,603 | 940,165 |
| **Total** | **9,070,509,907** | **5,925,886,022** |

In conformity with PAS No. 8, the Payable accounts are restated as follows:

|  |  |
| --- | --- |
| Unrestated beginning balance: | 6,947,424,093 |
| Adjustments for: |  |
| Reversal of Personnel Services Expenses (PBB 2013-2015) | (39,460,927) |
| Reversal of CF Mandatory Contributions | (243,042,165) |
| Reversal of CF Regular and Traditional Beneficiaries | (1,651,895,112) |
| Reversal of PF Jackpot | (2,115,466) |
| Reversal of PF Low Tier | (457,748,347) |
| **Restated amount, December 31, 2016 – Miscellaneous Accounts Payable** | **4,553,162,076** |

|  |  |
| --- | --- |
| Unrestated beginning balance: | 1,158,377,975 |
| Adjustments for: |  |
| Regular and Traditional Beneficiaries | (88,313,845) |
| Mandatory Contributions | (64,677,263) |
| Charity Clinic Expenses | 37,797,245 |
| Other Programs and Projects | (8,833,200) |
| Interest Income-net | 220,334 |
| **Restated amount, December 31, 2016 – Vouchers Payable – Charity Fund** | **1,034,571,246** |

|  |  |
| --- | --- |
| Unrestated beginning balance: | 97,316,104 |
| Adjustments for: |  |
| Jackpot Prizes | 2,115,466 |
| Low-Tier Prizes | 23,362,382 |
| Interest Income | (739,092) |
| Other Financial Charges | 270,000 |
| Sweepstakes | 978,182 |
| **Restated amount, December 31, 2016 – Vouchers Payable – Prize Fund** | **123,303,042** |

|  |  |
| --- | --- |
| Unrestated beginning balance: | 76,093,755 |
| Adjustments for: |  |
| Personnel Services Expenses | 30,678,877 |
| Maintenance and Other Operating Expenses | (7,680,585) |
| **Restated amount, December 31, 2016–Vouchers Payable–Operating Fund** | **99,092,047** |

The Miscellaneous Accounts Payable refers to various obligations being accrued every year end. Majority of its components were accrual of Prize Fund expenses, Performance Based Bonus, Employer’s Provident Fund share, Collective Negotiation Agreement (CNA) bonus, Advertising Expenses, employees’ leave credits and various Charity Fund expenses.

The Vouchers Payable-Charity Fund refers to various unpaid processed vouchers payable to hospitals and other institutions/agencies as payment for financial assistance under the Individual Medical Assistance Program, Mandatory Contributions and Other Health and Welfare Programs of PCSO.

The Vouchers Payable-Operating Fund pertains to processed vouchers for various operating expenses that remains unpaid at year-end. This account also includes the payables of the Branch Offices.

The Vouchers Payable-Prize Fund refers to various unpaid processed vouchers for the payment of Prize Fund expenses.

The Vouchers Payable-Rentals and Maintenance pertains to the amount payable to the service providers of the lottery system, Philippine Gaming Management Corp., Pacific Online System Corp. and Total Gaming Technology, Inc., as payment for the cost of equipment lease rental and maintenance.

1. **INTER-AGENCY PAYABLES**

This account consists of the following:

|  |  |  |
| --- | --- | --- |
|  | **2017** | **2016** |
| Due to Other NGAs | 27,138,805 | 26,031,069 |
| Due to BIR | 110,893,163 | 308,313,195 |
| Due to Other GOCCs | 445,735 | 665,874 |
| Due to GSIS | 8,661,565 | 5,957,069 |
| Due to PHILHEALTH | 1,982,314 | 1,989,026 |
| Due to PAG-IBIG | 1,125,055 | 614,326 |
| **Total** | **150,246,637** | **343,570,559** |

Tax deficiencies for the years 2011 to 2014 were remitted to the BIR as evidenced by the change in the amount of Due to BIR.

1. **INTRA-AGENCY PAYABLE**

This account consists of the following:

|  |  |  |
| --- | --- | --- |
|  | **2017** | **2016**  **(As Restated)** |
| Due to Other Funds - Prizes | 1,039,955,693 | 2,061,143,116 |
| Due to Other Funds - Charity | 933,836,304 | 2,686,997,978 |
| **Total** | **1,973,791,997** | **4,748,141,094** |

Components of the Due to Other Funds - Prizes are the following:

|  |  |  |
| --- | --- | --- |
|  | **2017** | **2016**  **(As Restated)** |
| Beginning balance | 2,061,143,116 | 2,566,473,196 |
| Add: Unutilized balance for the year | (741,574,314) | 57,850,873 |
| Total Due to Other Fund - Prizes | 1,319,568,801 | 2,624,324,069 |
| Add (Less) |  |  |
| Forfeitures | (279,613,108) | (563,180,953) |
| **Ending balance** | **1,039,955,693** | **2,061,143,116** |

In conformity with PAS No. 8, components of the Due to Other Funds - Prizes account are restated as follows:

|  |  |
| --- | --- |
| Unrestated Fund beginning balance: | 2,565,754,124 |
| Adjustments for CY 2015 and prior years: |  |
| Interest On Savings And Time Deposits | 992,269 |
| Prize Fund-Taxes, Duties And Fees | (253,177) |
| Lower Prize-LT | (20,020) |
| **Restated beginning balance** | **2,566,473,196** |

|  |  |
| --- | --- |
| Unrestated unutilized balance for the year | (375,306,931) |
| Adjustments for CY 2016 |  |
| Low Tier Prizes | 439,162,586 |
| Keno Prizes | (4,756,600) |
| Winning Tickets Sweepstakes | (978,182) |
| Financial charges | (270,000) |
| **Restated Unutilized balance for the year** | **57,850,873** |

Components of the Due to Other Funds - Charity are the following:

|  |  |  |
| --- | --- | --- |
|  | **2017** | **2016**  **(As Restated)** |
| Beginning balance | 2,686,997,978 | 3,177,047,599 |
| Add: Unutilized balance for the year | (3,253,161,674) | (1,995,050,701) |
| Total Due to Other Fund - Charity | (566,163,696) | 1,181,996,898 |
| Add (Less) |  |  |
| Transfers from Operating Fund | 1,500,000,000 | 1,505,001,080 |
| **Ending balance** | **933,836,304** | **2,686,997,978** |

In conformity with PAS No. 8, components of the Due to Other Funds - Prizes account are restated as follows:

|  |  |
| --- | --- |
| Unrestated beginning balance: | 3,085,088,992 |
| Adjustments for CY 2015 and prior years: |  |
| Regular and Traditional Beneficiaries | 64,057,420 |
| Mandatory Contributions | 61,212,087 |
| Charity Clinic Expenses | (37,593,213) |
| Other Programs and Projects | 4,503,200 |
| Interest Income-net | (220,887) |
| **Restated beginning balance** | **3,177,047,599** |
| Unrestated unutilized balance for the year | (3,922,027,370) |
| Adjustments for CY 2016 |  |
| Regular and Traditional Beneficiaries | 1,676,151,537 |
| Mandatory Contributions | 246,507,342 |
| Charity Clinic Expenses | (12,762) |
| Other Programs and Projects | 4,330,000 |
| Interest Income-net | 552 |
| **Restated Unutilized balance for the year** | **(1,995,050,701)** |

The account Intra-Agency Payable-Due to Other Funds-Prizes pertains to the balance or available Prize Fund. It is used for payments of prizes of winning tickets.

The account Intra-Agency Payable-Due to Other Funds-Charity pertains to the balance or available Charity Fund. It is used for payments of the following programs: health and welfare, medical assistance and services, ambulance donations, national calamity and disaster and other related charitable programs. It also supports agencies and institutions in the form of mandatory contributions.

1. **OTHER CURRENT LIABILITIES**

This account consists of the following:

|  |  |  |
| --- | --- | --- |
|  | **2017** | **2016** |
| Performance/Bidders bonds | 3,243,069,676 | 463,676,024 |
| PCSO Provident Fund contributions | 13,492,205 | 12,329,692 |
| Amount held in trust for “Scratch and Match” prizes | 7,761,859 | 8,176,659 |
| Withheld payment of employees payable to Sweepstakes Cooperative | 5,867,675 | 5,257,478 |
| Share of the PNP in STL | 186,801,079 | 151,752,988 |
| Share of Charity Fund in STL of Chartered cities | 954,979 | 953,213 |
| Guaranty Deposits Payable | 1,984,737 | 1,984,737 |
| Withheld amount payable to thermal roll supplier | (233,760) | (228,191) |
| Other payables | 678,731,790 | 597,873,911 |
| **Total** | **4,138,430,240** | **1,241,776,511** |

The performance/bidders bonds consist of retention fees from suppliers and cash bond for STL, Lotto and Keno agents. Abrupt change in amount was due to increase in number of approved STL Authorized Agent Corporations.

The Charity Fund share from STL was allocated based on gross sales per Section 39 of 2016 Revised Implementing Rules and Regulations amended by Board Resolution No. 0063 series of 2017:

|  |  |  |  |
| --- | --- | --- | --- |
| City/Municipality | | - | 3.00% |
| Congressional District | | - | 0.75% |
| Provincial Government | | - | 1.00% |
| Philippine National Police | | - | 2.50% |
|  | National Head Quarter (0.40%) | | |
|  | Police Regional Office (0.40%) | | |
|  | Police Provincial Office (0.50%) | | |
|  | Local Police Station (0.70%) | | |
|  | CIDG – National (0.20%) | | |
|  | CIDG – Regional (0.20%) | | |
|  | CIDG – Provincial (0.10%) | | |

The account Amount Held in Trust for “Scratch and Match” prizes pertain to the amount entrusted to PCSO by the operators of the “Scratch and Match” project for the payment of prizes.

The Guaranty Deposits Payable account pertains to the cash bond of various Lotto and Keno agents of Branches.

Other payables include Share of Charity Fund in STL of Municipalities, Provincial Government and Congressional Districts, to wit:

|  |  |  |
| --- | --- | --- |
|  | **2017** | **2016** |
| Share of Charity Fund in STL of Municipalities | 399,216,343 | 367,889,322 |
| Share of Charity Fund in STL of Provincial Government | 115,330,450 | 90,254,667 |
| Share of Charity Fund in STL of Congressional Districts | 114,047,413 | 90,120,669 |

1. **DEFERRED CREDITS**

This account represents advance sales of sweepstakes, keno and lotto tickets**.**

1. **REVENUE ALLOCATION**

In accordance with the provision of PCSO Charter, specifically Section 6 of RA 1169 as amended by Batas Pambansa Bilang 42, the gross receipts generated from the sale of tickets whether for sweepstakes, lotteries or similar activities, shall be deducted the printing cost of such tickets, which in no case shall exceed two percent (2%) of such gross receipts to arrive at the net receipts. The net receipts shall be allocated as follows:

1. Fifty-five percent (55%) shall be set aside as Prize Fund.
2. Thirty percent (30%) shall be set aside as contributions to the Charity Fund.
3. Fifteen percent (15%) shall be set aside as contributions to Operating Expenses and Capital Expenditures of the Office.

Revenue Allocation for Lotto Games:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **6/42** | **6/45** | **6/49** | **6/55** | **6/58** |
| **Gross Receipts (GR)** | **100.00%** | **100.00%** | **100.00%** | **100.00%** | **100.00%** |
| Printing Cost | 2.00% | 2.00% | 2.00% | 2.00% | 2.00% |
| **Net Receipts (NR)** | **98.00%** | **98.00%** | **98.00%** | **98.00%** | **98.00%** |
| 1. **Prize Fund (55% of NR)** | **53.90%** | **53.90%** | **53.90%** | **53.90%** | **53.90%** |
| Agent’s Commission | 7.50% | 7.50% | 7.50% | 7.50% | 7.50% |
| Direct Cost/ ELA | 6.16% | 6.16% | 6.16% | 6.16% | 6.16% |
| Tax | 2.70% | 2.70% | 2.70% | 2.70% | 2.70% |
| Prize Reserve, Misc., Prize, Incentives | 55.00% | 55.00% | 55.00% | 55.00% | 55.00% |
| NET PRIZE FUND | **32.00%** | **32.00%** | **32.00%** | **32.00%** | **32.00%** |
| Jackpot Prize Pool | **20.00%** | **20.00%** | **20.00%** | **20.00%** | **20.00%** |
| Lower Prizes | **12%** | **12%** | **12%** | **12%** | **12%** |
| 2nd Prize with Capping | 5% up to P25,000 | 5% up to P50,000 | 5% up to P70,000 | 5% up to P200,000 | 5% up to P280,000 |
| 3rd Prize with Capping | 4% up to P1,000 | 4% up to P1,500 | 4% up to P2,000 | 4% up to P3,000 | 4% up to P3,800 |
| 4th Prize with Capping | P10.00 | P10.00 | P20.00 | P20.00 | P20.00 |
| Charity Fund (30% of NR) | **29.40%** | **29.40%** | **29.40%** | **29.40%** | **29.40%** |
| Direct Cost/ ELA | 3.36% | 3.36% | 3.36% | 3.36% | 3.36% |
| Documentary Stamp | 9.80% | 9.80% | 9.80% | 9.80% | 9.80% |
| Net Charity Fund | 16.24% | 16.24% | 16.24% | 16.24% | 16.24% |
| Operating Fund (15% of NR) | **14.70%** | **14.70%** | **14.70%** | **14.70%** | **14.70%** |
| Direct Cost/ ELA | 1.68% | 1.68% | 1.68% | 1.68% | 1.68% |
| Net Operating Fund | 13.02% | 13.02% | 13.02% | 13.02% | 13.02% |

Revenue Allocation for 6-digit (6D), 4-digit (4D), Suertres Lotto, and the EZ2 lotto games:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **EZ2** | **3D** | **4D** | **6D** |
| **Gross Receipts (GR)** | **100.000%** | **100.000%** | **100.000%** | **100.000%** |
| Printing Cost | 2.000% | 2.000% | 2.000% | 2.000% |
| **Net Receipts (NR)** | **98.000%** | **98.000%** | **98.000%** | **98.000%** |
| **ALLOCATION OF NET RECEIPTS** |  |  |  |  |
| **Prize Fund (55% of NR)** | **53.900%** | **53.900%** | **53.900%** | **53.900%** |
| Agent’s Commission | 7.500% | 7.500% | 7.500% | 7.500% |
| Direct Cost | 6.160% | 6.160% | 6.160% | 6.160% |
| Tax | 2.695% | 2.695% | 2.695% | 2.695% |
| Prize Reserve, Misc. Prize, Incentives | 1.545% | 1.545% | 1.545% | 1.545% |
| Net Prize Fund | **36.000%** | **36.000%** | **36.000%** | **36.000%** |
| **First Prize** | **30% up to P4,000** | **30% up to P4,500** | **30% up to P10,000** | **30% up to P150,000** |

Revenue Allocation of PCSO Lotto Express (KENO):

|  |  |
| --- | --- |
| **Gross Receipts (GR)** | **100.00%** |
| Printing Cost | 2.00% |
| **Net Receipts (NR)** | **98.00%** |
| **I. PRIZE FUND (55% of NR)** | **53.90%** |
| Prize Fund Tax | 2.70% |
| Prizes | 55% |
| Agent’s Commission | 5.00% |
| Rental of Equipment | 9.24% |
| **II. CHARITY FUND (30% of NR)** | **29.40%** |
| Documentary Stamp Tax | 2.94% |
| Rental of Equipment | 5.04% |
| Net Charity Fund | 21.42% |
| **III. OPERATING FUND (15% of NR)** | **14.70%** |
| Rental of Equipment | 2.52% |
| Net Operating Fund | 12.18% |

1. **DOCUMENTARY STAMPS TAX**

Documentary Stamps Tax (DST) is computed at ten percent (10%) of the retail receipts of Lotto, Keno and STL. DST for Sweepstakes tickets is at Php1.20 per booklet sold.

1. **APPRAISAL CAPITAL**

This account pertains to the increment on the cost of the land and land improvement, building and acquired assets based on appraisal made by various independent appraisers.

1. **restricted capital – APPROPRIATION FOR BUILDINGCONSTRUCTION**

On March 2012, an Inter-Agency Project Management Office (PMO) was created through Board Resolution No. 92, s. 2012. A Ground Breaking Ceremony was held on 08 September 2014 at the San Marcelino Property.

B.R.No.463, s. 2015, approved the procurement of the PCSO Corporate Center Project through Architectural and Engineering Design Mode. The Project cost was revised to Php2,500,000,000.00 as per B.R. No. 24, s. 2016.

In September 2016, the Chairman instructed to hold another round of consultative meetings in order to revisit the architectural space and requirements of concerned offices.

In November 2016, a Project Management Team (PMT) for the PCSO Corporate Center Project was created to facilitate preparation of the required Public-Private Partnership (PPP) documents, project coordination, and monitoring from project development to its implementation pursuant to the Build Operate and Transfer (BOT) Law.

B.R. No. 162, s. 2017 was issued to ratify and affirm the approval of the General Manager to proceed with the PCSO Corporate Center Project through BOT.

In October 2017, after further review and study, it was found that procurement through the Philippine Government Procurement Law is more advantageous to the PCSO.

As of December 2017, Project Management Office (PMO) reconstituted in September 2017, has been conducting series of meetings to update the Project Concepts and other pertinent documents in relation to the procurement of the PCSO Corporate Center.

1. **RETAINED EARNINGS**

Components of the Retained Earnings are the following:

|  |  |  |
| --- | --- | --- |
|  | **2017** | **2016**  **(As Restated)** |
| Beginning balance, January 1 | 511,653,517 | (678,272,334) |
| Add: Unutilized Operating Fund | 5,070,578,229 | 3,094,926,931 |
| Total Retained Earnings | 5,582,231,746 | 2,416,654,597 |
| Add (Less) |  |  |
| Appropriation for Building Construction | (100,000,000) | (400,000,000) |
| Transfer to Charity Fund | (1,500,000,000) | (1,505,001,080) |
| **Ending balance, December 31** | **3,982,231,746** | **511,653,517** |

In conformity with PAS No. 8, components of the Retained Earnings account are restated as follows:

|  |  |
| --- | --- |
| Unrestated Beginning balance: | (695,921,078) |
| Adjustments for CY 2015 and prior years: |  |
| Other Income | 2,855,090 |
| Personal Services | 11,495,552 |
| Maintenance and Other Operating Expenses | 8,028,677 |
| Interest Income | (4,719,875) |
| Financial Charges | (10,700) |
| **Restated beginning balance** | **(678,272,334)** |

|  |  |
| --- | --- |
| Unrestated Unutilized Operating Fund | 3,100,922,158 |
| Adjustments for CY 2016 |  |
| Other Income | (24,990) |
| Personal Services | (2,713,503) |
| Maintenance and Other Operating Expenses | (3,007,245) |
| Printing Expenses | (119,229) |
| Interest Income | 14,050 |
| Financial Charges | (144,310) |
| **Restated Unutilized Operating Fund** | **3,094,926,931** |

1. **PAYMENT OF DIVIDENDS**

Section 3 of R.A. No. 7656 dated November 9, 1993 and its Revised Implementing Rules and Regulations (IRR) require Government Owned and/or Controlled Corporations (GOCC) to declare and remit at least fifty percent (50%) of their annual earnings as dividends to the National Government. In view of this, corresponding audit findings were issued by the Commission on Audit (COA) pertaining to the PCSO’s non-payment of dividends for CYs 2012, 2013 and 2014 in the total amount of P4,034,319,731. However, due to the provision in R.A. No. 1169, otherwise known as the “PCSO Charter”, PCSO is mandated that all balances of any funds shall regularly revert to and form part of the Charity Fund, thus, there is nothing left to be declared and remitted as dividend. This matter has been referred to the Department of Finance (DOF).

On 16 March 2016, the Department of Finance clarified PCSO’s exemption from R.A. No. 7656 in its reply to the Commission on Audit’s (COA) inquiry regarding the applicability of The Dividends Law to PCSO.

The Department of Finance confirms that PCSO is not exempt for R.A. 7656, however, DOF recognizes that PCSO’s Charter R.A. No, 1169 mandate all balance of any funds shall revert to and form part of the Charity Fund.

Likewise, DOF, through its then Asst. Secretary and Officer-in-Charge of the Corporate Affairs Group and the Privatization and Office of Special Concerns shared that “DOF, PCSO and Governance Commission for Government-Owned and/or Controlled Corporations (GCG) on 25 August 2015, it was agreed that PCSO will have to revert all accumulated surplus to the Charity Fund in compliance with its Charter; then, DOF shall further reassess PCSO’s outstanding dividend due, if any.”

DOF also recognize that PCSO does not have any outstanding dividends due covering prior years until 2014, since unutilized Operating Fund was transferred to the Charity Fund.

On December 20, 2016, the Office of the Government Corporate Counsel (OGCC) rendered an opinion on the applicability of the Dividends Law to PCSO. The OGCC is of the opinion that since PCSO’s earnings has already been allocated, the remittance of 50% of its income to the National Treasury is a violation of PCSO’s mandate. OGCC mentioned that “while PCSO cannot remit dividends to the National Government, it is the public at large that in a way reaps the benefits through the vital public service that they render, funding individual and institutional assistance, as well as special programs”. It was further recommended that any deviation from PCSO’s Charter should have corresponding amendment to the mandate of the law creating it.

In the Department of Finance letter dated May 18, 2017 issued by Ms. Antonette C. Tionko, Undersecretary for Corporate Affairs Group, it was specified that PCSO has an outstanding dividend due to National Government in the amount of P4,034.32 Million for FY 2012 TO 2014 and P1,202.50 Million for FY 2016 or a total of P5,236.82 Million.

On January 17, 2018, COA Legal Services Sector, rendered an Opinion on the nature and extent of the obligation of the PCSO relative to the declaration and remittance of dividends to the National Government under R.A. No. 7656 and its Implementing Rules and Regulations.

The COA Legal Affairs Office is of the position that “Section 3 of R.A. 7656 provides that all GOCCs shall declare and remit at least 50% of their annual earnings as cash stock or property dividends to the National Government while Section 6(D) of R.A. No. 1169 provides that all balances of any funds in the PCSO shall revert to and form part of the Charity Fund.” It further stated that “the provisions should be interpreted in a way that they can be harmonized in accordance with the rules on statutory construction. Thus, the interpretation that any balance from the Operating Fund will be reverted back to Charity Fund only after the declaration and remittance of the required dividends under R.A. No. 7656, is more in accord with the purposes and intents of the two laws.”

Atty. Edna P. Forto, Director IV, COA – Legal Affairs Office concluded that pending the approval of the President exempting the PCSO from the unpaid dividends, the provision of R.A. No. 7656 on the remittance of dividends should be applied in conjunction with PCSO’s Charter.

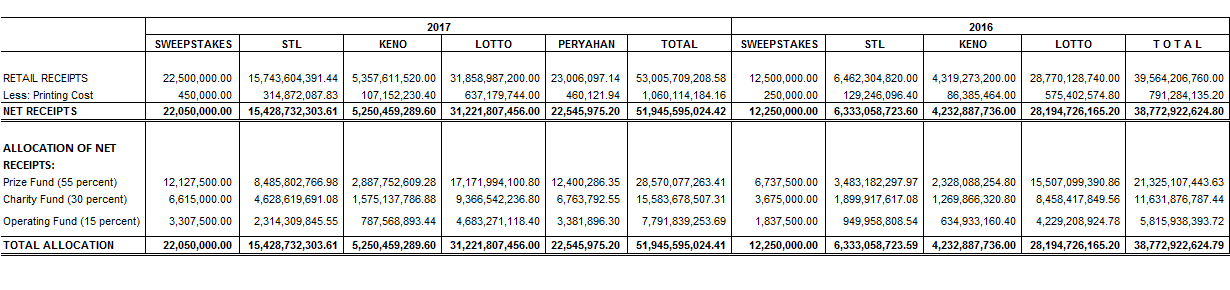
With regards to this, PCSO prepared a proposed Financial Plan on remittance of prior years’ dividends to the National Government starting 2018 in compliance with R.A. No. 7656 subject to approval by PCSO Board.

In addition to prior years’ obligation on payment of dividends, the 2017 dividend due will be paid subsequently subject to availability of funds and Board approval.

1. **MICROFINANCE LENDING PROGRAM OF DEPARTMENT OF TRADE AND INDUSTRY**

The PCSO Chairman received a Notice of Cabinet Action/Decision (File No. 143-010917-03-12-35) from Cabinet Secretary, Leoncio B. Evasco, Jr. dated 09 January 2017, directing PCSO and PAGCOR to allocate PESOS: ONE BILLION (P1,000,000,000.00) for the Microfinance Lending Program of the Department of Trade and Industry (DTI), as instructed by the President. In view thereof, PCSO earmarked the amount of PESOS: FIVE HUNDRED MILLION (P500,000,000.00) for the government’s Microfinance Lending Program.

1. **NET RECEIPTS / ALLOCATION TO PRIZE/CHARITY/OPERATING FUNDS**



1. **OTHER INCOME**

The components of this account are the following:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  | **2017** | **2016**  **(As Restated)** |
| Operating Fund | | |  |  |
|  | 2 % Printing Cost | | 1,060,114,184 | 791,284,135 |
|  | Other Income | |  |  |
|  |  | Share on franchise tax | 0 | 511,305 |
|  |  | Other Service Income | 779,466,590 | 42,163,303 |
|  |  | Processing/Application Fee | 11,437,500 | 5,838,650 |
|  |  | Fines and Penalties | 1,039,292 | 1,456,135 |
|  |  | Rent Income | 5,602 | 8,400 |
|  |  | Gain/(Loss) on Sale of Disposed Assets | (68,653) | (92,683) |
|  |  | Miscellaneous Income | 23,214,134 | 27,340,630 |
|  | Share from STL | |  | 6,568,061 |
|  | Printing Cost-STL | |  | 3,309,202 |
|  | Printing Cost/Income from Peryahan | |  | 101,247 |
|  | Share from Peryahan | |  | 283,846 |
|  |  |  | 1,875,208,649 | 878,772,231 |
| Charity fund | | |  |  |
|  | Forfeitures of Prizes | | 279,613,107 | 563,180,953 |
|  | Share in "Scratch and Match" project | | 15,440,013 | 134,882,382 |
|  | Share from Peryahan | |  | 1,005,784 |
|  |  | | 295,053,120 | 699,069,119 |
| **Total** | | | **2,170,261,769** | **1,577,841,350** |

In conformity with PAS No. 8, the Other Income accounts are restated as follows:

|  |  |
| --- | --- |
| Unrestated Amount as of December 31, 2016 | 42,193,302 |
| Adjustment on Installation Fee - Branches | (29,999) |
| **Restated amount, December 31, 2016 - Other Service Income** | **42,163,303** |

|  |  |
| --- | --- |
| Unrestated Amount as of December 31, 2016 | 5,833,650 |
| Adjustment on Processing/Application Fee - Branches | 5,000 |
| **Restated amount, December 31, 2016 - Processing/Application Fees** | **5,838,650** |

|  |  |
| --- | --- |
| Unrestated Amount as of December 31, 2016 | 27,340,620 |
| Adjustments of Rent Income - Branches | 10 |
| **Restated amount, December 31, 2016 - Miscellaneous Income** | **27,340,630** |

Printing cost refers to the 2% allocation from gross receipts where expenses for thermal rolls, bet slips, printing supplies and operating expenses of the Security Printing and Planning Department are charged.

Share on franchise tax refers to the 7% PCSO share on the Franchise Tax revenue of the Philippine Racing Club, Inc. pursuant to Republic Act No. 6632.

1. **OTHER FINANCIAL INCOME (CHARGES)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | | **2017** | **2016**  **(As Restated)** |
| Operating Fund | |
|  | Interest income | | 52,009,100 | 60,914,674 |
|  | Financial charges | | (5,810,803) | (1,328,123) |
|  |  | | **46,198,297** | **59,586,551** |
| Charity Fund | |
|  | Interest income-net | | 63,131,830 | 95,683,952 |
|  | Gain or loss on foreign exchange | | 1,286,296 | 16,596,150 |
|  |  | | **64,418,126** | **112,280,102** |
| Prize Fund | | |  |  |
|  | Interest income-net | | 2,919,559 | 5,567,998 |
|  | Financial charges | | (117,600) | (270,000) |
|  |  | | **2,801,959** | **5,297,998** |
|  | | | **113,418,382** | **177,164,651** |

In conformity with PAS No. 8, the Other Financial Income accounts are restated as follows:

|  |  |
| --- | --- |
| Unrestated Amount as of December 31, 2016 | 60,900,624 |
| Adjustment on Interest on Savings and Time Deposits - Branches | 14,050 |
| **Restated amount, December 31, 2016 - Interest Income (OF)** | **60,914,674** |

|  |  |
| --- | --- |
| Unrestated Amount as of December 31, 2016 | 1,183,813 |
| Adjustment on Other Financial Charges – Head Office | 135,000 |
| Adjustment on Bank Charges - Branches | 9,310 |
| **Restated amount, December 31, 2016 - Financial Charges (OF)** | **1,328,123** |

|  |  |
| --- | --- |
| Unrestated Amount as of December 31, 2016 | 95,683,399 |
| Recording of Interest Income - Head Office | 691 |
| Recording of Taxes, Duties and Fees - Head Office | (138) |
| **Restated amount, December 31, 2016 - Interest Income (CF)** | **95,683,952** |

|  |  |
| --- | --- |
| Unrestated Amount as of December 31, 2016 | 0 |
| Recording of Other Financial Charges - Head Office | (270,000) |
| **Restated amount, December 31, 2016 - Finance Charges (PF)** | **(270,000)** |

1. **OPERATING FUND EXPENSES**

This account consists of the following:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  | | **2017** | **2016**  **(As Restated)** |
| Personal Services | | | |  |  |
|  | Bonus and Incentives | | | 444,804,960 | 570,523,181 |
|  | Salaries and Wages | | | 412,423,132 | 363,381,659 |
|  | Other Fringe Benefits | | | 186,909,896 | 211,691,682 |
|  | Life and Retirement Contributions | | | 48,611,906 | 42,613,189 |
|  | RATA | | | 25,774,001 | 27,472,231 |
|  | Terminal Leave Benefits | | | 48,451,190 | 21,774,468 |
|  | PERA and ACA | | | 25,915,110 | 26,192,732 |
|  | Clothing/Uniform Allowance | | | 11,240,000 | 11,010,000 |
|  | Overtime Pay/Meal Allowance | | | 3,865,778 | 4,336,216 |
|  | Pag-Ibig Contributions | | | 1,313,656 | 1,337,363 |
|  | Longevity Pay | | | 1,209,686 | 1,163,747 |
|  |  | | | **1,210,519,315** | **1,281,496,468** |
| Maintenance and Other Operating Expenses | | | |  |  |
|  | Rent | | | 646,187,887 | 578,781,878 |
|  | Advertising Expenses | | | 114,347,014 | 195,134,612 |
|  | Other Maintenance and Operating Expenses | | | 2,025,848,605 | 845,502,423 |
|  | Grant, Subsidies and Contributions | | | 17,741,701 | 25,608,958 |
|  | Utility Expenses | | | 24,325,034 | 26,212,542 |
|  | Extra-ordinary | | | 342,955 | 214,487 |
|  | Miscellaneous Expenses | | | 362,166 | 48,459,004 |
|  | Auditing Expenses | | | 36,831,215 | 37,390,816 |
|  | Depreciation | | | 76,547,947 | 52,923,076 |
|  | Repairs and maintenance | | | 5,578,620 | 7,515,420 |
|  | Supplies Expenses | | | 14,411,376 | 24,587,764 |
|  | Communication Expenses | | | 14,399,445 | 12,691,385 |
|  | Traveling Expenses | | | 18,092,372 | 20,306,846 |
|  | Training Expenses | | | 21,788,164 | 20,380,274 |
|  | Taxes, Duties and Licenses | | | 15,764,137 | 2,187,041 |
|  | Insurance Expense | | | 5,152,664 | 4,986,377 |
|  | Transportation and Delivery Expenses | | | 4,634,510 | 4,017,213 |
|  | Rewards and Other Claims | | | 0 | 5,104 |
|  |  |  | | **3,042,355,812** | **1,906,905,220** |
| Printing Expenses | | | |  |  |
|  | Personal Services | | |  |  |
|  |  | | Bonus and Incentives | 14,981,878 | 19,497,724 |
|  |  | | Salaries and Wages-Regular | 12,518,304 | 11,622,644 |
|  |  | | Other Fringe Benefits | 6,195,255 | 7,908,839 |
|  |  | | PERA and ACA | 980,000 | 1,062,818 |
|  |  | | Life & Retirement Contributions | 1,374,154 | 1,395,829 |
|  |  | | RATA | 666,841 | 761,679 |
|  |  | | Clothing/Uniform Allowance | 10,000 | 460,000 |
|  |  | | Terminal Leave benefits | 1,628,004 | (201,331) |
|  |  | | Longevity Pay | 81,413 | 84,571 |
|  |  | | Pag-ibig Contributions | 44,900 | 53,200 |
|  |  | |  | **38,480,749** | **42,645,973** |
|  | Maintenance and other operating expense | | |  |  |
|  |  | | Lotto supplies | 275,504,148 | 401,004,771 |
|  |  | | Supplies & materials | 2,426,888 | 19,397,989 |
|  |  | | Depreciation Expenses | 810,920 | 2,120,578 |
|  |  | | Communication expenses | 0 | 13,440 |
|  |  | | Repairs & maintenance | 21,627 | 675,450 |
|  |  | | Transportation expenses | 4,199 | 0 |
|  |  | | Traveling Expenses | 0 | 5,966 |
|  |  | | Training Expenses | 0 | 8,750 |
|  |  | | Other Maintenance and Operating Expenses | 72,544,313 | 4,608,284 |
|  |  | | Miscellaneous expenses | 0 | 487,356 |
|  |  | |  | **351,312,095** | **428,322,584** |
|  |  | | | **389,792,844** | **470,968,557** |
| **Total** | | | | **4,642,667,971** | **3,659,370,245** |

In conformity with PAS No. 8, the Operating Fund Expenses accounts are restated as follows:

|  |  |
| --- | --- |
| Unrestated Amount as of December 31, 2016 | 568,581,883 |
| Adjustments made for 13th Month Pay - Head Office | (1,799) |
| Adjustments made for CNA Incentive - Head Office | (8,747) |
| Adjustments made for COLA & Amelioration-Board of Directors - Head Office | (61,200) |
| Adjustments made for Grocery Bonus - Head Office | (38,232) |
| Adjustments made for Medical Allowance - Branches | (5,795) |
| Adjustments made for Revenue Performance Incentive Pay - Head Office | (9,452) |
| Payments made for 13th Month Pay-Branches | 150,478 |
| Payments made for 13th Month Pay-Head Office | 68,363 |
| Payments made for Anniversary Bonus-Head Office | 10,000 |
| Payments made for Cash Gift-Head Office | 11,500 |
| Payments made for Christmas Bonus-Branches | 451,929 |
| Payments made for Christmas Bonus-Head Office | 287,039 |
| Payments made for CNA Incentive-Head Office | 50,000 |
| Payments made for Educational Assistance-Branches | 222,396 |
| Payments made for Educational Assistance-Head Office | 130,505 |
| Payments made for Grocery Bonus-Branches | 90,000 |
| Payments made for Grocery Bonus-Head Office | 120,000 |
| Payments made for Medical Allowance-Branches | 4,500 |
| Payments made for Medical Allowance-Head Office | 5,523 |
| Payments made for Mid-Year Bonus-Branches | 130,764 |
| Payments made for Mid-Year Bonus-Head Office | 159,401 |
| Payments made for Personel Services Expenses-Branches | 17,714 |
| Payments made for Productivity Enhancement Bonus-Head Office | 16,411 |
| Payments made for Revenue Preformance Incentive Pay-Head Office | 140,000 |
| **Restated amount, December 31, 2016 - Bonus and Incentives** | **570,523,181** |

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| Unrestated Amount as of December 31, 2016 | 361,894,152 |
| Adjustments made for Salaries and Wages - Branches | (49,922) |
| Adjustments made for Salaries and Wages - Head Office | (254,769) |
| Payments made for Salaries and Wages-Branches | 1,452,261 |
| Payments made for Salaries and Wages-Head Office | 339,937 |
| **Restated amount, December 31, 2016 - Salaries and Wages** | **363,381,659** |

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| --- | --- | --- |
| Unrestated Amount as of December 31, 2016 | 211,070,263 | |
| Adjustments made for ECC Contributions - Branches | 3,000 | |
| Adjustments made for Hazard Pay - Branches | (7,727) | |
| Adjustments made for PHILHEALTH Contributions - Branches | 3,875 | |
| Adjustments made for Provident Fund-Employer Share - Head Office | 53,815 | |
| Adjustments made for Rice Allowance - Branches | (12,000) | |
| Adjustments made for Rice Allowance - Head Office | (3,000) | |
| Adjustments made for Staple Food Allowance - Branches | (3,864) | |
| Adjustments made for Sweepstakes Draw Allowance - Branches | (9,000) | |
| Payments made for ECC Contributions-Head Office | 1,800 | |
| Payments made for Hazard Pay-Branches | 4,000 | |
| Payments made for Hazard Pay-Head Office | 7,363 | |
| Payments made for PHILHEALTH Contributions-Head Office | 400 | |
| Payments made for Provident Fund-Employer Share-Head Office | 527,175 | |
| Payments made for Rice Allowance-Branches | 9,000 | |
| Payments made for Rice Allowance-Head Office | 18,400 | |
| Payments made for Staple Food Allowance-Branches | 2,000 | |
| Payments made for Staple Food Allowance-Head Office | 3,682 | |
| Payments made for Sweepstakes Draw Allowance-Head Office | 22,500 | |
| **Restated amount, December 31, 2016 - Other Fringe Benefits** | **211,691,682** | |
| Unrestated Amount as of December 31, 2016 | | 42,015,498 |
| Adjustments made for Life Retirement Insurance Contributions - Branches | | 57,374 |
| Payments made for Life Retirement Insurance Contributions-Head Office | | 540,317 |
| **Restated amount, December 31, 2016 - Life and Retirement Contributions** | | **42,613,189** |

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| Unrestated Amount as of December 31, 2016 | 29,492,144 |
| Adjustments made for Representation Allowance - Head Office | (1,345,979) |
| Adjustments made for Transporation Allowance - Head Office | (703,734) |
| Payments made for Representation Allowance-Head Office | 12,000 |
| Payments made for Transporation Allowance-Head Office | 17,800 |
| **Restated amount, December 31, 2016 - Representation Allowance and Transportation Allowance** | **27,472,231** |

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| Unrestated Amount as of December 31, 2016 | 21,845,823 |
| Adjustments made for Terminal Leave Benefits - Head Office | (71,355) |
| **Restated amount, December 31, 2016 - Terminal Leave Benefits** | **21,774,468** |

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| Unrestated Amount as of December 31, 2016 | 26,193,096 |
| Payments made for PERA/ACA-Branches | 13,363 |
| Adjustments made for PERA/ACA - Branches | (13,727) |
| **Restated amount, December 31, 2016 - PERA and ACA** | **26,192,732** |

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| Unrestated Amount as of December 31, 2016 | 10,850,000 |
| Payments made for Uniform Allowance-Branches | 160,000 |
| **Restated amount, December 31, 2016 - Clothing/Uniform Allowance** | **11,010,000** |

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| Unrestated Amount as of December 31, 2016 | 4,340,898 |
| Adjustments made for Meal Allowance/Overtime Pay - Head Office | (8,152) |
| Payments made for Meal Allowance/Overtime Pay-Head Office | 3,470 |
| **Restated amount, December 31, 2016 - Overtime Pay/Meal Allowance** | **4,336,216** |

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| --- | --- |
| Unrestated Amount as of December 31, 2016 | 1,335,463 |
| Adjustments made for PAG-IBIG Contributions - Branches | 1,900 |
| **Restated amount, December 31, 2016 - Pag-Ibig Contributions** | **1,337,363** |

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| --- | --- |
| Unrestated Amount as of December 31, 2016 | 578,670,086 |
| Adjustments made for Rent Expenses-Building-Branches | 24 |
| Payments made for Rent Expenses-Copier-Head Office | 111,768 |
| **Restated amount, December 31, 2016- Rent** | **578,781,878** |

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| Unrestated Amount as of December 31, 2016 | 194,820,362 |
| Adjustments made for Advertising and Promotion-Head Office | (17,350) |
| Payments made for Advertising and Promotion-Head Office | 331,600 |
| **Restated amount, December 31, 2016 - Advertising & Promotion** | **195,134,612** |

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| Unrestated Amount as of December 31, 2016 | 844,343,609 |
| Adjustments made for Consultancy/Research Expenses-Head Office | (390,050) |
| Adjustments made for Gasoline, Oil, Lubricants and Fuel Expenses-Branches | 28,369 |
| Adjustments made for Janitorial Expenses-Branches | (57,745) |
| Adjustments made for OMOE(Holding od Lottery Draws-Lotto)-Head Office | (700) |
| Adjustments made for OMOE(Holding od Lottery Draws-STL)-Branches | (18,400) |
| Adjustments made for OMOE(Miscellaneous Expenses)-Branches | (659,241) |
| Adjustments made for OMOE(Other Services)-Head Office | (3,054) |
| Adjustments made for Other Professional Services-Branches | (55,647) |
| Adjustments made for Other Professional Services-Head Office | (26,939) |
| Adjustments made for Printing and Binding Expenses-Branches | 178 |
| Adjustments made for Security Expenses-Head Office | (43,963) |
| Adjustments made for Subscription Expenses-Head Office | 13,052 |
| Payments made for OMOE(Miscellaneous Expenses)-Head Office | 10,485 |
| Payments made for OMOE(Other Services)-Head Office | 12,376 |
| Payments made for Security Expenses-Head Office | 247,049 |
| Payments/Adjustments made for Maintenance and Other Operating Expenses-Branches | 200 |
| Recording of consumption of Office Supplies-Gasoline, Oil, Lubricants and Fuel Expenses-Head Office | 702,586 |
| Recording of consumption of Office Supplies-Representation Expenses-Head Office | 1,341,692 |
| Recording of Liquidation Expenses-Gasoline, Oil, Lubricants and Fuel Expenses-Head Office | 58,566 |
| **Restated amount, December 31, 2016 - Other Maintenance and Operating Expenses** | **845,502,423** |

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| Unrestated Amount as of December 31, 2016 | 25,812,401 |
| Adjustments made for Donations-Head Office Total | (310,972) |
| Payments made for Donations-Head Office Total | 107,529 |
| **Restated amount, December 31, 2016- Grant, Subsidies and Contributions** | **25,608,958** |

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| --- | --- |
| Unrestated Amount as of December 31, 2016 | 26,236,231 |
| Adjustments made for Electricity Expenses-Branches | (68,054) |
| Adjustments made for Water Expenses-Branches | 4,265 |
| Payments made for Electricity Expenses-Branches | 13,968 |
| Payments made for Water Expenses-Branches | 35 |
| Payments made for Water Expenses-Head Office | 26,097 |
| **Restated amount, December 31, 2016 - Utility Expenses** | **26,212,542** |

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| Unrestated Amount as of December 31, 2016 | 217,487 |
| Adjustments made for Extraordinary Expenses-Head Office | (3,000) |
| **Restated amount, December 31, 2016 - Extra Ordinary Expenses** | **214,487** |

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| Unrestated Amount as of December 31, 2016 | 50,907,721 |
| Adjustments made for Miscellaneous Expenses-Branches | 14,482 |
| Adjustments made for Miscellaneous Expenses-Head Office | (50,650) |
| Payments made for Miscellaneous Expenses-Head Office | 297,213 |
| Recording of Liquidation Expenses-Miscellaneous Expenses-Head Office | (2,709,762) |
| **Restated amount, December 31, 2016 - Miscellaneous Expenses** | **48,459,004** |

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| Unrestated Amount as of December 31, 2016 | 37,200,722 |
| Adjustments made for Auditing Services-Head Office | 33,292 |
| Adjustments made for Consultancy/Research Expenses-Head Office | (232) |
| Payments made for Auditing Services-Head Office | 3,600 |
| Recording of consumption of Office Supplies-Auditing Services-Head Office | 137,883 |
| Recording of Liquidation Expenses-Auditing Services-Head Office | 15,551 |
| **Restated amount, December 31, 2016 - Auditing Expenses** | **37,390,816** |

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| Unrestated Amount as of December 31, 2016 | 53,052,758 |
| Adjustments made for Depreciation Expenses(Communication Equipment)-Head Office | (338,346) |
| Adjustments made for Depreciation Expenses(Furniture & Fixtures)-Branches | (3,243) |
| Adjustments made for Depreciation Expenses(Furniture & Fixtures)-Head Office | (154,777) |
| Adjustments made for Depreciation Expenses(IT Equipment)-Branches | (5,292) |
| Adjustments made for Depreciation Expenses(Leasehold Improvements)-Branches | (19,492) |
| Adjustments made for Depreciation Expenses(Leasehold Improvements)-Head Office | 222,832 |
| Adjustments made for Depreciation Expenses(Motor Vehicle)-Branches | 46,977 |
| Adjustments made for Depreciation Expenses(Office Building)-Head Office | 378,959 |
| Adjustments made for Depreciation Expenses(Office Equipment)-Branches | (381) |
| Adjustments made for Depreciation Expenses(Office Equipment)-Head Office | (241,068) |
| Adjustments made for Depreciation Expenses(Other Leasehold Improvements)-Branches | 1,912 |
| Adjustments made for Depreciation Expenses(Other Machineries & Equipment)-Branches | 15,190 |
| Adjustments made for Depreciation Expenses(Other Machineries & Equipment)-Head Office | (12,136) |
| Adjustments made for Other PPE-Head Office | (20,817) |
| **Restated amount, December 31, 2016 - Depreciation Expenses** | **52,923,076** |

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| --- | --- |
| Unrestated Amount as of December 31, 2016 | 7,411,202 |
| Adjustments made for R&M(Furniture & Fixtures)-Branches | 12,000 |
| Adjustments made for R&M(IT Equipment & Software)-Branches | 500 |
| Adjustments made for R&M(Leasehold Improvement)-Branches | 275 |
| Adjustments made for R&M(Leasehold Improvement)-Head Office | 2,210 |
| Adjustments made for R&M(Motor Vehicles)-Branches | 450 |
| Adjustments made for R&M(Office Building)-Branches | 450 |
| Adjustments made for R&M(Office Equipment)-Branches | 2,606 |
| Adjustments made for R&M(Other MOOE)-Branches | 1,000 |
| Payments made for R&M(Leasehold Improvement)-Head Office | 23,152 |
| Payments made for R&M(Motor Vehicles)-Head Office | 51,975 |
| Payments made for R&M(Other MOOE)-Head Office | 9,600 |
| **Restated amount, December 31, 2016- Repairs and Maintenance Expenses** | **7,515,420** |

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| Unrestated Amount as of December 31, 2016 | 21,721,935 |
| Adjustments made for OSE-Thermal Rolls-Branches | 621,067 |
| Adjustments made for OSE-Thermal Rolls-Head Office | 4,255,843 |
| Adjustments made for Semi-Expendable Expenses-Branches | 194,461 |
| Adjustments made for Semi-Expendable Expenses-Head Office | (5,578,312) |
| Adjustments made for Supplies and Materials-Branches | 221,757 |
| Payments made for OSE-Thermal Rolls-Branches | 15,848 |
| Recording of consumption of Office Supplies-Supplies and Materials-Head Office | 3,090,855 |
| Recording of Liquidation Expenses-OSE-Thermal Rolls-Head Office | 44,310 |
| **Restated amount, December 31, 2016 - Supplies Expenses** | **24,587,764** |

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| --- | --- |
| Unrestated Amount as of December 31, 2016 | 12,671,827 |
| Adjustments made for Internet Expenses-Branches | (2,199) |
| Adjustments made for Postage and Deliveries-Branches | 8,585 |
| Adjustments made for Telephone Expenses(landline)-Branches | (7,476) |
| Adjustments made for Telephone Expenses(mobile)-Branches | 5,029 |
| Adjustments made for Telephone Expenses(mobile)-Head Office | 31,787 |
| Adjustments made for Telephone Expenses(landline)-Branches | (2,674) |
| Payments made for Telephone Expenses(mobile)-Head Office | 2,400 |
| Recording of consumption of Office Supplies-Telephone Expenses(mobile)-Head Office | (15,894) |
| **Restated amount, December 31, 2016 - Communication Expenses** | **12,691,384** |

|  |  |
| --- | --- |
| Unrestated Amount as of December 31, 2016 | 20,458,928 |
| Adjustments made for Travelling Expenses(Local)-Branches | 187,644 |
| Recording of Liquidation Expenses-Travelling Expenses(Local)-Head Office | (339,726) |
| **Restated amount, December 31, 2016 - Traveling Expenses** | **20,306,846** |

|  |  |
| --- | --- |
| Unrestated Amount as of December 31, 2016 | 19,222,361 |
| Adjustments made for Training Expenses-Head Office | (138,895) |
| Payments made for Training Expenses-Head Office | 232,000 |
| Recording of Liquidation Expenses-Training Expenses-Head Office | 1,064,808 |
| **Restated amount, December 31, 2016 - Training Expenses** | **20,380,274** |

|  |  |
| --- | --- |
| Unrestated Amount as of December 31, 2016 | 2,187,102 |
| Adjustments made for Taxes, Duties & Fees-Branches | (61) |
| **Restated amount, December 31, 2016 - Taxes, Duties and Licenses** | **2,187,041** |

|  |  |
| --- | --- |
| Unrestated Amount as of December 31, 2016 | 4,993,877 |
| Adjustments made for Fidelity Bond & Insurance Premium-Branches | (7,500) |
| **Restated amount, December 31, 2016 - Insurance Expense** | **4,986,377** |

|  |  |
| --- | --- |
| Unrestated Amount as of December 31, 2016 | 3,964,262 |
| Adjustments made for Transportation and Delivery Expenses-Branches | 41,016 |
| Payments made for Transportation and Delivery Expenses-Branches | 11,935 |
| **Restated amount, December 31, 2016 - Transportation and Delivery Expenses** | **4,017,213** |

|  |  |
| --- | --- |
| Unrestated Amount as of December 31, 2016 | 19,278,760 |
| Recording of consumption of Office Supplies-Supplies and Materials-Head Office | 70,123 |
| Adjustments made for OSE-Thermal Rolls-Branches | 49,106 |
| **Restated amount, December 31, 2016 - Supplies & Materials** | **19,397,989** |

1. **CHARITY FUND EXPENSES**

This account consists of the following:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **2017** | | **2016**  **(As Restated)** | |
| **Regular and Traditional Beneficiaries** | | |  | |  | |
|  | Medical Assistance and Service Program | | 9,923,679,930 | | 7,435,839,755 | |
|  | Health and Welfare Program | | 308,048,782 | | 225,469,860 | |
|  | Aid to National Calamities | | 27,886,222 | | (6,328,383) | |
|  | | | **10,259,614,934** | | **7,654,981,232** | |
| **Documentary Stamps Tax** | | | **5,298,392,921** | | **3,955,205,813** | |
| **STL Shares (PNP, LGU, Provincial & Congressional)** | | | **1,119,831,508** | | **643,882,056** | |
| **Mandatory Contributions** | | |  | |  | |
|  | Share of LGUs | | 762,679,348 | | 454,209,592 | |
|  | Commission on Higher Education | | 318,589,872 | | 287,701,287 | |
|  | Sports Development Program | | 1,059,563 | | 1,176,002 | |
|  | Dangerous Drug Act of 2002 | | 12,000,000 | | 12,000,000 | |
|  | Nutrition Foundation of the Philippines (RA4621) | | 218,173 | | 0 | |
|  | National Council for Disability Affairs | | 202,918 | | 0 | |
|  | Quezon Institute RA 4703 | | 176,861 | | 216,995 | |
|  | Philippine Red Cross | | 186,919 | | 0 | |
|  | Girl Scouts of the Philippines | | 237,242 | | 207,858 | |
|  | Boy Scouts of the Philippines | | 203,420 | | 214,612 | |
|  |  | | **1,095,554,316** | | **755,726,346** | |
| **Other Projects and Programs** | | |  | |  | |
|  | Purchase of ambulance | | 169,699,600 | | 303,216,600 | |
|  | Burial assistance | | 0 | | 10,000 | |
|  |  | | **169,699,600** | | **303,226,600** | |
| **PCSO Charity Clinic Expenses** | | |  | |  | |
|  | **Personal Services** | |  | |  | |
|  |  | Other Fringe Benefits | 15,030,935 | 15,488,652 | |
|  |  | Salaries and Wages | 22,399,753 | 17,657,201 | |
|  |  | Bonus and Incentives | 23,627,360 | 28,050,358 | |
|  |  | PERA and ACA | 1,185,546 | 1,173,091 | |
|  |  | Life and Retirement Contributions | 2,376,957 | 2,051,798 | |
|  |  | RATA | 420,841 | 458,907 | |
|  |  | Clothing/Uniform Allowance | 500,000 | 450,000 | |
|  |  | Pag-Ibig Contributions | 54,400 | 52,600 | |
|  |  | Terminal Leave Benefits | 2,385,091 | 597,274 | |
|  | **Maintenance and Other Operating Expenses** | |  |  | |
|  |  | Drugs and Medicines Expenses | 2,659,099 | 7,241,197 | |
|  |  | Medical, Dental & Laboratory Supplies Expenses | 798,121 | 1,420,262 | |
|  |  | Supplies and Materials | 171,117 | 246,337 | |
|  |  | Transportation & Delivery Expenses | 412,501 | 0 | |
|  |  | Travelling Expenses | 340,971 | 177,212 | |
|  |  | Utility Expense | 0 | 160 | |
|  |  | Repairs & Maintenance | 40,084 | 65,774 | |
|  |  | Communication Expenses | 0 | 21,590 | |
|  |  | Gasoline, Oil and Lubricant | 95,964 | 146,123 | |
|  |  | Other Supplies Expenses | 0 | 129,478 | |
|  |  | Miscellaneous Expenses | 0 | 157,973 | |
|  |  | Other Maintenance and Operating Expenses | 2,007,196 | 1,088,790 | |
|  |  | Depreciation | 341,700 | (176,537) | |
|  |  |  | **74,847,636** | **76,498,240** | |
| **Total** | | | **18,017,940,915** | | **13,389,520,287** | |

In conformity with PAS No. 8, the Charity Fund Expenses accounts are restated as follows:

|  |  |
| --- | --- |
| Unrestated Amount as of December 31, 2016 | 9,087,457,367 |
| Adjustments from Branches (IMAP/EMAP) | (4,529,528) |
| Adjustments made on Charity Fund expenses (Stale/Cancelled checks, reclassification of entries) | (3,843,376) |
| Payments of Medical Assistance and Service Program | 4,830,469 |
| Recording of liquidation expenses (IMAP) - Head Office | 219,935 |
| Reversal of accrued Charity Fund Expenses | (1,648,295,112) |
| **Restated Amount, December 31, 2016 - Medical Assistance and Service Program** | **7,435,839,755** |

|  |  |
| --- | --- |
| Unrestated Amount as of December 31, 2016 | 241,973,999 |
| Adjustments made on Charity Fund expenses (Stale/Cancelled checks, reclassification of entries) | (11,000,000) |
| Adjustments made on Health and Welfare Program - Head Office | (2,864,139) |
| Payments made on Health and Welfare Program - Head Office | 960,000 |
| Reversal of accrued Charity Fund Expenses | (3,600,000) |
| **Restated Amount, December 31, 2016 - Health and Welfare Program** | **225,469,860** |

|  |  |
| --- | --- |
| Unrestated Amount as of December 31, 2016 | 1,701,403 |
| Adjustments made on Calamity Assistance - Head Office | (8,129,786) |
| Payments made on Calamity Assistance - Head Office | 100,000 |
| **Restated Amount, December 31, 2016 - Aid to National Calamities** | **(6,328,383)** |

|  |  |
| --- | --- |
| Unrestated Amount as of December 31, 2016 | 700,152,691 |
| Adjustments made on Charity Fund expenses (Stale/Cancelled checks, reclassification of entries) | (2,901,262) |
| Payments made on Calamity Assistance - Head Office | 328 |
| Reversal of accrued Charity Fund Expenses | (243,042,165) |
| **Restated Amount, December 31, 2016 - Share of LGUs** | **454,209,592** |

|  |  |
| --- | --- |
| Unrestated Amount as of December 31, 2016 | 1,025,589 |
| Adjustments made on Sports Development Program - Head Office | 150,412 |
| **Restated Amount, December 31, 2016 - Sports Development Program** | **1,176,001** |

|  |  |
| --- | --- |
| Unrestated Amount as of December 31, 2016 | 253,693 |
| Adjustments made on Mandatory Contributions | (253,693) |
| **Restated Amount, December 31, 2016 - National Council for Disability Affairs** | **0** |

|  |  |
| --- | --- |
| Unrestated Amount as of December 31, 2016 | 460,962 |
| Adjustments made on Mandatory Contributions | (460,962) |
| **Restated Amount, December 31, 2016 - Philippine Red Cross** | **0** |

|  |  |
| --- | --- |
| Unrestated Amount as of December 31, 2016 | 307,546,600 |
| Adjustments made Purchase of Ambulance - Head Office | (4,330,000) |
| **Restated Amount, December 31, 2016 - Purchase of Ambulance** | **303,216,600** |

|  |  |
| --- | --- |
| Unrestated Amount as of December 31, 2016 | 27,991,720 |
| Payments of PCSO Charity Clinic Expenses-Mid-year Bonus | 26,365 |
| Payments of PCSO Charity Clinic Expenses-Revenue Performance Incentive Pay | 32,273 |
| **Restated Amount, December 31, 2016 - Bonus and Incentives** | **28,050,358** |

|  |  |
| --- | --- |
| Unrestated Amount as of December 31, 2016 | 100,944 |
| Adjustments of PCSO Charity Clinic Expenses-Supplies and Materials | 145,393 |
| **Restated Amount, December 31, 2016 - Supplies and Materials** | **246,337** |

|  |  |
| --- | --- |
| Unrestated Amount as of December 31, 2016 | 14,733 |
| Adjustments of PCSO Charity Clinic Expenses - Leasehold Improvements | (191,270) |
| **Restated Amount, December 31, 2016 - Depreciation** | **(176,537)** |

1. **PRIZE FUND EXPENSES**

This account is broken down as follows:

|  |  |  |
| --- | --- | --- |
|  | **2017** | **2016**  **(As Restated)** |
| Jackpot Prizes | 2,933,638,559 | 2,500,465,372 |
| Low Tier Prizes | 15,886,655,508 | 10,705,780,787 |
| Keno Prizes | 3,123,413,819 | 2,444,710,505 |
| Winning Tickets Sweepstakes | 2,222,727 | 21,559,127 |
| 5% Prize Fund Tax | 1,428,503,864 | 1,066,255,140 |
| Sellers Prize | 284,091 | 792,254 |
| Sellers Share Commission-Sweepstakes | 5,625,000 | 3,125,000 |
|  | **23,380,343,568** | **16,742,688,185** |
| Share in Rentals and Maintenance of Equipment | 2,160,345,940 | 1,922,617,467 |
| Share in Commission Expenses | 3,773,764,029 | 2,607,248,918 |
| **Total** | **29,314,453,537** | **21,272,554,570** |

In conformity with PAS No. 8, the Prize Fund Expenses accounts are restated as follows:

|  |  |
| --- | --- |
| Unrestated Amount as of December 31, 2016 | 11,144,943,373 |
| Adjustments from Branches - Lower Prize | 166,645 |
| Payments of Prize Fund expenses - Jackpot Prize (Lotto) | 2,115,466 |
| Payments of Prize Fund expenses - Lower Prize (Lotto) | 18,419,116 |
| Reversal of accrued Prize Fund Expenses | (459,863,813) |
| **Restated Amount as of December 31, 2016 - Low Tier Prizes** | **10,705,780,787** |

|  |  |
| --- | --- |
| Unrestated Amount as of December 31, 2016 | 2,439,953,905 |
| Adjustments from Branches - Lower Prize | 15,520 |
| Payments of Prize Fund expenses - Lower Prize (Keno) | 4,741,080 |
| **Restated Amount as of December 31, 2016 - Keno Prizes** | **2,444,710,505** |

|  |  |
| --- | --- |
| Unrestated Amount as of December 31, 2016 | 20,580,944 |
| Payments of Prize Fund expenses - Sweepstakes | 978,183 |
| **Restated Amount as of December 31, 2016 - Winning Ticket Sweepstakes** | **21,559,127** |

1. **PAYMENT TO WINNERS, BENEFICIARIES, EMPLOYEES, SUPPLIERS, NON- GOVERNMENTAL ORGANIZATIONS AND NATIONAL GOVERNMENT AGENCIES**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  |  | **2017** | | **2016** | |
| Prize Fund Expenses | | |  | |  | |
|  | Lotto Prizes (Jackpot & Low-Tier) | |  | |  | |
|  | Jackpot | | 2,658,174,833 | | 2,448,087,344 | |
|  | Low-Tier | | 3,344,789,273 | | 3,612,561,726 | |
|  | Seller’s Prize/Commission/Holders of Winning Tickets | | 5,807,353 | | 3,367,073 | |
| Charity Fund Expenses | | |  | |  | |
|  | Medical Assistance programs | | 8,262,356,367 | | 5,822,905,138 | |
|  | 5% LGU Shares | | 502,084,920 | | 2,435,115,968 | |
|  | Aids for Victims of National Calamities | | (7,899,786) | | (867,597) | |
|  | Other Health and Welfare-Related Programs | | 22,562,583 | | 158,811,424 | |
|  | Burial Assistance | |  | | (21,000) | |
|  | Purchase of Ambulance | | (25,227,594) | | 414,352,114 | |
|  | Charity Clinic Expenses | |  | | 4,934,327 | |
|  | Sports Development Program | | 46,209,975 | | 836,268 | |
|  | Commission on Higher Education | | 211,450,254 | | 1,391,537,307 | |
|  | Congressional Migrant Workers Scholarship Fund | |  | | 253,693 | |
|  | Dangerous Drugs Board | | 12,000,000 | | 12,000,000 | |
|  | DFA Information System on Migration | | 63,000,000 | |  | |
|  | National Council on Disability Affairs | | (50,774) | |  | |
|  | Nutrition Foundation of the Philippines | | 218,173 | |  | |
|  | National Shelter program | |  | | 83,876,581 | |
|  | PDEA Operations | | 25,000,000 | | 50,000,000 | |
|  | Boy Scouts of the Philippines | | 203,420 | | 214,612 | |
|  | Girls Scout of the Philippines | | 237,242 | |  | |
|  | Philippine Red Cross | | (274,043) | | 228,304 | |
|  | Quezon Institute | | 176,861 | | 216,995 | |
| Prepayments | | | 1,224,447 | | 1,256,020 | |
| Employees | | |  | |  | |
|  | Personal Services | | 1,261,753,482 | | 1,297,003,909 | |
|  | Cash Advances | | 47,911,430 | | 42,661,790 | |
| Suppliers | | | 944,429,684 | | 1,069,701,104 | |
| Government Agencies and NGOs | | | 8,299,527,703 | | 9,758,548,089 | |
| Others | | |  | |  | |
|  | Accounts Payable - Operating | | 600,166,291 | | 615,617,054 | |
|  | Accounts Payable - Charity | | 997,551,540 | | 1,075,104,145 | |
|  | Accounts Payable - Prizes | | 1,897,769,170 | | 1,697,755,552 | |
|  | Accounts Payable - Branches | |  | | 191,463,726 | |
| Cash Bonds/Refunds | | |  | | 600,000 | |
| Payment of prizes for Bingo Milyonaryo, Peryahan and Scratch Tickets-PGMC/POSC | | |  | | 23,155,966 | |
| Fund Transfer to/from Other Branches and to Home Office | | | 25,103,574 | | 9,664 | |
|  | **Total** | | | **29,196,256,379** | | **32,211,287,296** | |

1. **COMMITMENTS**

PCSO is mandated to provide stand-by funds for the following projects/programs:

|  |  |  |
| --- | --- | --- |
| **Republic Act No.** | **Particulars** | **Amount** |
| 9165 | Dangerous Drugs Board (Dangerous Drugs Act 2002) | 60,000,000 |
| 7835 | Shelter & Urban Development Programs (National Shelter Program) | 50,000,000 |
| 6847 | Sports Program | 60,000,000 |
| 8042 | Shared Government Information System on Migrants | 3,000,000 |
| **TOTAL** | | **173,000,000** |

|  |  |  |
| --- | --- | --- |
| **Executive Order** | **Particulars** | **Amount** |
| 447 s. 2005 | Low Priced Medicines Program Botika ng Bayan Program | 65,000,000 |
| Safe Motherhood and Responsible Parenthood Program |
| 280 s. 2005 | Avian Flu Fund |
| 201, s. 2003 | SARS Fund | 1,000,000,000 |
| **TOTAL** | | **1,065,000,000** |

On January 11, 2017, PCSO approved the Proposed Schedule of Draw for the Mandatory Contribution for the Current Year 2017 as per Board Resolution No. 0012 series of 2017

|  |  |  |  |
| --- | --- | --- | --- |
| **Republic Act No.** | **Implementing Agency** | **Mandatory PCSO Contribution** | **Significant Event** |
| 6847 | Philippine Sports Commission | Six (6) sweepstakes or lottery draws per annum | PSC Anniversary  Asian Winter Games  Women’s Month  2017 Paralympic Games  PSC Bonifacio Day Cup  Christmas Draw |
| 3867 | Philippine Red Cross | One (1) Lottery draw annually | Philippine Red Cross Anniversary |
| 10072 | Philippine Red Cross | One (1) Lottery draw yearly for the support of disaster relief operations | Blood Donor’s Day |
| 620 | Girl Scout of the Philippines | One (1) Sweepstakes Draw | Girl Scout of the Philippines Anniversary |
| 4564 | National Council on Disability Affairs | One (1) Sweepstakes Draw | National Disability Prevention and Rehabilitation Week |
| 4703 | Quezon Institute | One (1) Lottery Draw Annually | Quezon Institute Anniversary |
| Common wealth Act 595 | Boy Scout of the Philippines | One (1) Sweepstakes Draw | Boy Scout of the Philippines Anniversary |

Also on October 11, 2017, PCSO approved another Proposed Schedule of Draw for the Mandatory Contribution for the Current Year 2017 as per Board Resolution No. 0242 series of 2017

|  |  |  |
| --- | --- | --- |
| **Republic Act No.** | **Mandatory PCSO Contribution** | **Significant Event** |
| 4621 | One (1) Sweepstakes Draw | National Food Fortification Day |

1. **PENDING LEGAL CASES**

Presently, there are 55 pending cases at the PCSO Legal Department related to lotto, sweepstakes and other gaming operations. These are categorized into civil, criminal and other cases against erring sweepstakes and lotto agents.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | |  | **No. of Cases** | | **Total Amount**  **(Principal/Interest/MRR)** |
| **I. Criminal Cases** | | | |  |  | |
|  | A. Sweepstakes Defaulted Accounts | | |  |  | |
|  |  | Provincial Distributors | | 2 | 5,799,486 | |
|  |  | Sales Representatives | | 3 | 5,603,768 | |
|  |  | Authorized Agents | | 3 | 4,140,000 | |
|  |  | Sales Manager | | 1 | 15,319 | |
|  |  | Sub-total | | 9 | 15,558,573 | |
|  | B. Lotto Defaulted Accounts | | |  |  | |
|  |  | National Capital Region (NCR) Department | | 18 | 68,163,467 | |
|  |  | Northern and Central Luzon Department | | 2 | 5,349,525 | |
|  |  | Visayas and Mindanao Department | | 8 | 11,255,148 | |
|  |  | Sub-total | | 28 | 84,768,140 | |
|  | **Total** | | | **37** | **100,326,713** | |
|  |  | | |  |  | |
| **II. Civil Cases** | | | |  |  | |
|  | A. Sweepstakes Defaulted Accounts | | |  |  | |
|  |  | Provincial Distributors | | 12 | 28,867,027 | |
|  |  | Sales Supervisors | | 3 | 1,076,694 | |
|  |  | Sub-total | | 15 | 29,943,721 | |
|  | B. Lotto Defaulted Accounts | | |  |  | |
|  |  | National Capital Region (NCR) Department | | 3 | 6,398,425 | |
|  | **Total** | | | **18** | **36,342,146** | |
|  |  | | |  |  | |
| **GRAND TOTAL** | | | | **55** | **136,668,859** | |

|  |  |  |  |
| --- | --- | --- | --- |
| **Other Cases:** | |  |  |
|  | |  |  |
|  | A.TMA Group of Companies Pty. Ltd. | |  |
|  | B. Philippine Gaming Management Corporation | |  |
|  | 1. DFNN Inc. | |  |
|  | 1. Globaltech Mobile Online Coporation | |  |
|  | 1. Golden Go Rapid Gaming Corporation | |  |

1. **SUPPLEMENTAL INFORMATION UNDER REVENUE REGULATION**

**(RR) 15-2010**

In compliance with the requirements set forth by RR 15-2010, hereunder is the information on taxes paid during the taxable year:

|  |  |  |
| --- | --- | --- |
| Withholding Tax: | |  |
|  | Final Income Taxes Withheld 412-5 | 1,428,496,586.69 |
|  | Creditable Income Taxes Withheld (Expanded) 412-3 / 412-4 | 538,039,336.55 |
|  | Value Added Tax and Other Percentage Taxes Withheld 412-7 | 305,042,768.52 |
|  | Taxes Withheld on Horse Race Winners 412-3 | 1,815,000.00 |
|  | Taxes Withheld on Compensation 412-2 | 226,130,210.53 |
|  | Documentary Stamp 412-1 | 5,298,407,120.87 |
| **Total** | | **7,797,931,023.16** |
| Payment for Tax Deficiency: | |  |
|  | Withholding Tax on Compensation | 137,377,240.43 |
|  | Expanded Withholding Tax | 389,053,985.11 |
|  | Withholding Tax on Prize Fund | 298,756,876.76 |
|  | Value Added Tax | 78,091,687.61 |
| **Total** | | **903,279,789.91** |
| **Grand Total** | | **8,701,210,813.07** |

Payment for Tax Deficiency was due to tax assessments made by the Bureau of Internal Revenue (BIR) for the years 2011 to 2014.

1. **ADDITIONAL INFORMATION ON STATEMENT OF OPERATING FUND UTILIZATION AND STATEMENT OF ACCUMULATED SURPLUS/(DEFICIT)**

An overstatement of transfer to charity fund was made in the year 2015 in the amount of **P90,840,969.40** broken down as follows:

Invested Surplus P77,876,117.01

Contingent Surplus P12,964,852.39

In the year 2015, the outstanding balance of the accumulated surplus/(deficit) was transferred to charity fund in compliance with R.A No. 1169 in the amount of **P7,795,802,051.58** (inclusive of P77,876,117.01 and P12,964,852.39) bringing the account to zero balance. The total amount of **P90,840,969.40** should not be included in the transfer because it is not part of income from operation of PCSO (Please see illustration below)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Statement of Accumulated Surplus/(Deficit)** | | | | |
|  | | | | |
| Account Name | | Account Code | Amount | |
| Retained Earnings | | 510 | P | 4,617,583,789.52 |
| Invested Surplus | | 510-A1 |  | 77,876,117.01 |
| Contingent Surplus | | 510-A3 |  | 12,964,852.39 |
| Balance, December 31, 2014 | |  | P | 4,708,424,758.92 |
| Add/(Less): 2015 Transactions | |  |  |  |
|  | Prior year’s adjustments |  |  | 37,654,042.86 |
|  | Net Income for 2015 |  |  | 3,049,723,249.80 |
| Balance, December 31, 2015 | |  |  | 7,795,802,051.58 |
| Less: Transfer to CF | |  |  | 7,795,802,051.58 |
| Balance, December 31, 2015 | |  | P | 0 |

There is a need to correct the overstatement of transfer to Charity Fund in the amount of **P90,840,969.40** through allocation from the 2017 Unutilized Operating Fund and should be retained in the balance of the “Statement of Accumulated Surplus/(Deficit). The amount of **P100,000,000.00** was, likewise, appropriated for building construction as per Board Resolution No. 334 series of 2016. Subsequently, a partial transfer to Charity Fund was made in the amount of **P1,500,000,000.00** in compliance to Board Resolution No. 0255 series of 2017.

While it is true that a partial transfer to Charity Fund has been effected prior to the declaration of the fifty percent (50%) dividend to the National Government, the remaining balance in the Statement of Accumulated Surplus/(Deficit) in the amount of **P3,982,231,746.36** is sufficient enough to cover the payment of 2017 dividends.

However, the balance of the 2017 Unutilized Operating Fund **(P5,070,578,228.98),** after deducting the current dividend (no declaration was made before closing to Retained Earnings) and allocating the adjustments and additional appropriation, shall further be reduced by the amount of capital expenditures procured, paid and delivered during CYs 2015-2017 in order to arrive at the amount of savings to be transferred to Charity Fund. (Please see illustration below)

|  |  |  |  |
| --- | --- | --- | --- |
| Unutilized Operating Fund, December 31, 2017 | |  | 5,070,578,228.98 |
| Less: Declaration of 50% Dividend | |  | 2,535,289,114.49 |
| Balance | |  | 2,535,289,114.49 |
| Less: Allocation for overstatement of 2015 transfer of CF | | 90,840,969.40 |  |
|  | Additional Appropriation for Building Construction | 100,000,000.00 | 190,840,969.40 |
| Balance | |  | 2,344,448,145.09 |
| Less: CAPEX procured and delivered | |  |  |
|  | CY 2017 | 77,682,675.41 |  |
|  | CY 2016 | 119,083,065.26 |  |
|  | CY 2015 | 102,237,819.05 | 299,003,559.72 |
| Savings from Operating Fund for transfer to CF | |  | 2,045,444,145.09 |
| Less: Partial Transfer to Charity Fund | |  | 1,500,000,000.00 |
| Balance | |  | 545,444,585.37 |

Partial transfer to Charity Fund was made because we cannot ascertain yet the actual savings from Operating Fund for CY 2017 as there were expenses that were not accrued/recorded but included in the 2017 budget. Any remaining amount after payments of the 2017 expenses will be reverted back to Charity Fund accordingly.