



Republic of the Philippines
PHILIPPINE STATE COLLEGE OF AERONAUTICS
NOTES TO FINANCIAL STATEMENTS
(ALL FUNDS)

For the year ended December 31, 2020
(Amounts are denominated in Philippine Pesos)

1. General Information/Agency Profile

The financial statements (FS) for the Calendar Year 2020 of the **Philippine State College of Aeronautics (PhilSCA)** were authorized for issue on February 10, 2021 per Statement of Management's Responsibility for Financial Statements signed by the PhilSCA President and the Vice-President for Administration and Finance – Officer-in-Charge.

The PhilSCA was initially established in 1967 as Basa Air Base Community College under AFP Regulations Series of 168-342 issued by the Armed Forces of the Philippines on April 1, 1968 under the Department of National Defense.

In 1977, Basa Air Base College (BABC) established an Annex in Nichols Air Base (currently known as Villamor Air Base) in Pasay City known as BABC-Annex. A Satellite Campus was established in Fernando Air Base in Lipa City, Batangas.

Also in 1977, President Ferdinand E. Marcos signed Presidential Decree (PD) No. 1078 converting Basa Air Base Community College to Philippine Air Force College of Aeronautics with its Main Campus in Villamor Air Base, Pasay City, Metro Manila.

In 1979, another Satellite Campus was established in Mactan-Benito Ebuen Air Base Campus in Lapu-Lapu City, Mactan, Cebu.

On June 3, 1992, House Bill No. 26650 was signed into law as Republic Act (RA) No. 7605 by then President Corazon C. Aquino converting Philippine Air Force College of Aeronautics into a state college known as the Philippine State College of Aeronautics. On July 8, 2010, the College was transferred from its original location at Manlunas St., Villamor Air Base, Pasay City (currently Newport City) to its new site at Piccio Garden, Villamor, Pasay City (West Service Road, South Luzon Expressway near Sales Exit).

On December 15, 2011, the PhilSCA-BAB started operation at the Brgy. Palmayo, Resettlement Area in Floridablanca, Pampanga which is now the Palmayo Campus.

The College is envisioned to become a leader institution committed to scientific and technological advancement of aeronautical sciences, responsive to the dynamic and emerging demands for world-class professionals of the industry. Its mission is to

produce world-class aeronautics professionals, imbued with commitment, excellence, responsibility and integrity through advance level of instruction and research.

The registered office address of PhilSCA Main Campus is located at Piccio Garden, Villamor, Pasay City in Metro Manila.

2. Statement of Compliance and Basis of Preparation of Financial Statements

The FSs have been prepared in accordance with the International Public Sector Accounting Standards (IPSASs) with corresponding Philippine Application Guidance (PAG) issued by the Commission on Audit (COA) pursuant to COA Resolution Nos. 2014-003 dated January 24, 2014 and 2020-001 dated January 9, 2020.

The FSs have been prepared on the basis of historical cost, unless stated otherwise. The Statement of Cash Flows is prepared using the direct method.

The PhilSCA adopts a centralized accounting system whereby only one set of books of account is maintained for the Main Campus located at Piccio Garden, Villamor, Pasay City and its Satellites Campuses in Cebu, Batangas and Pampanga.

3. Summary of Significant Accounting Policies

3.1 Basis of Accounting

The FSs are prepared on an accrual basis in accordance with the IPSASs.

3.2 Financial Instruments

a. Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 41 - Financial Instruments are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. PhilSCA determines the classification of its financial assets at initial recognition.

Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that PhilSCA commits to purchase or sell the asset.

PhilSCA's financial assets include: cash and short-term deposits; trade and other receivables; loans and other receivables; and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification.

Financial assets at fair value through surplus or deficit

Financial assets at fair value through surplus or deficit include financial assets held for trading and financial assets designated upon initial recognition at fair value through surplus and deficit. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Derecognition

PhilSCA derecognizes a financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets when:

- The rights to receive cash flows from the asset have expired or are waived.
- PhilSCA has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party; and either: (a) it has transferred substantially all the risks and rewards of the asset; or (b) it has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial assets carried at amortized cost

For financial assets carried at amortized cost, PhilSCA first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If it determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in surplus or deficit. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or transferred to PhilSCA. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in surplus or deficit.

b. Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

PhilSCA's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts.

Subsequent measurement

The measurement of financial liabilities depends on their classification.

Financial liabilities at fair value through surplus or deficit

Financial liabilities at fair value through surplus or deficit include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through surplus or deficit.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

Gains or losses on liabilities held for trading are recognized in surplus or deficit.

c. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

d. Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

3.3 Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and cash at bank, deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

3.4 Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the PhilSCA.

3.5 Property, Plant and Equipment

Recognition

An item is recognized as property, plant, and equipment (PPE) if it meets the characteristics and recognition criteria as a PPE.

The characteristics of PPE are as follows:

- tangible items;
- are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- are expected to be used during more than one reporting period.

An item of PPE is recognized as an asset if:

- It is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- The cost or fair value of the item can be measured reliably.

Measurement at Recognition

An item recognized as PPE is measured at cost.

A PPE acquired through non-exchange transaction is measured at its fair value as at the date of acquisition.

The cost of the PPE is the cash price equivalent or, for PPE acquired through non-exchange transaction its cost is its fair value as at recognition date.

Cost includes the following:

- Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates
- Expenditure that is directly attributable to the acquisition of the items; and
- Initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired, or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Measurement after Recognition

After recognition, all PPE are stated at cost less accumulated depreciation and impairment losses.

When significant parts of property, plant and equipment are required to be replaced at intervals, PhilSCA recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major repair/replacement is done, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are recognized as expense in surplus or deficit as incurred.

Depreciation

Each part of an item of PPE with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognized as expense unless it is included in the cost of another asset.

Initial Recognition of Depreciation

Depreciation of an asset begins when it is available for use such as when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

For simplicity and to avoid proportionate computation, the depreciation is for one month if the PPE is available for use on or before the 15th of the month. However, if the PPE is available for use after the 15th of the month, depreciation starts on the succeeding month.

Depreciation Method

The straight line method of depreciation shall be adopted unless another method is more appropriate for agency operation.

Estimated Useful Life

PhilSCA uses the Schedule on the Estimated Useful Life of PPE by classification prepared by COA.

It uses a residual value equivalent to at least five percent of the cost of the PPE.

Impairment

An asset's carrying amount is written down to its recoverable amount, or recoverable service amount, if the asset's carrying amount is greater than its estimated recoverable service amount.

Derecognition

PhilSCA derecognizes items of property, plant and equipment and/or any significant part of an asset upon disposal or when no future economic benefits or service potential is expected from its continuing use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the surplus or deficit when the asset is derecognized.

3.6 Operating Leases

Leases in which the PhilSCA does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases.

Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term.

Rent received from an operating lease is recognized as income on a straight-line basis over the lease term. Contingent rents are recognized as revenue in the period in which they are earned.

The depreciation policies for PPE are applied to similar assets leased by the entity.

3.7 Changes in accounting policies and estimates

PhilSCA recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

It recognizes the effects of changes in accounting estimates prospectively by treating such as surplus or deficit.

3.8 Revenue from non-exchange transactions

Recognition and Measurement of Assets from Non-Exchange Transactions

An inflow of resources from a non-exchange transaction, other than services in-kind, that meets the definition of an asset were recognized as an asset if the following criteria were met:

- It is probable that the future economic benefits or service potential associated with the asset will flow to the entity; and
- The fair value of the asset can be measured reliably.

An asset acquired through a non-exchange transaction is initially measured at its fair value as at the date of acquisition.

Recognition Revenue from Non-Exchange Transactions

An inflow of resources from a non-exchange transaction recognized as an asset is recognized as revenue, except to the extent that a liability is also recognized with respect to the same inflow.

The PhilSCA satisfies a present obligation recognized as a liability with respect to an inflow of resources from a non-exchange transaction recognized as an asset. It reduces the carrying amount of the liability recognized and an amount of revenue equal to that reduction is recognized.

Measurement of Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions is measured at the amount of the increase in net assets recognized by the entity, unless a corresponding liability is recognized.

Measurement of Liabilities on Initial Recognition from Non-Exchange Transactions

The amount recognized as a liability in a non-exchange transaction is the best estimate of the amount required to settle the present obligation at the reporting date.

Fees and fines not related to taxes

PhilSCA recognizes revenue from fees and fines, except those related to taxes, when earned and the asset recognition criteria were met. Deferred income is recognized instead of revenue if there is a related condition attached that would give rise to a liability to repay the amount.

Other non-exchange revenues were recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

Gifts and Donations

It recognizes assets and revenue from gifts and donations when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Goods in-kind were recognized as assets when the goods were received, or there is a binding arrangement to receive the goods. If goods in-kind were received without conditions attached, a liability is recognized, which is reduced and revenue recognized as the conditions were satisfied.

On initial recognition, gifts and donations including goods in-kind were measured at their fair value as at the date of acquisition, which were ascertained by reference to an active market, or by appraisal. An appraisal of the value of an asset is normally undertaken by a member of the valuation profession who holds a recognized and relevant professional qualification. For many assets, the fair value was ascertained by reference to quoted prices in an active and liquid market.

Transfer

It recognizes an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset, except those arising from services in-kind.

Services in-Kind

Services in-kind were not recognized as asset and revenue considering the complexity of the determination of and recognition of asset and revenue and the eventual recognition of expenses.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities and the related assets were measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to PhilSCA and can be measured reliably.

3.9 Revenue from exchange transactions

Measurement of Revenue

Revenue shall be measured at the fair value of the consideration received or receivable.

Rendering of Services

PhilSCA recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labor hours incurred to date as a percentage of total estimated labor hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred were recoverable.

3.10 Budget Information

The annual budget is prepared on a cash basis and is published in the government website.

As a result of the adoption of the cash basis for budgeting purposes, a separate Statement of Comparison of Budget and Actual Amounts is presented. Explanatory comments are provided in the notes to the annual financial

statements; first, the reasons for overall growth or decline in the budget are stated, followed by details of overspending or underspending on line items.

The annual budget figures included in the financial statements are for PhilSCA. These budget figures are those approved by the governing body both at the beginning and during the year following a period of consultation with the public.

3.11 Related Parties

PhilSCA regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over PhilSCA, or vice versa.

The administration and management of PhilSCA is vested in the Board of Trustees as the governing body of the College under Section Nos. 5 and 11 of RA No. 7605.

3.12 Employee Benefits

The employees of PhilSCA are members of the Government Service Insurance System (GSIS), which provides life and retirement insurance coverage.

PhilSCA recognizes the undiscounted amount of short term employee benefits, like salaries, wages, bonuses, allowance, etc., as expense unless capitalized, and as a liability after deducting the amount paid.

It recognizes expenses for accumulating compensated absences when these were paid (commuted or paid as terminal leave benefits). Unused entitlements that have accumulated at the reporting date were not recognized as expense. Non-accumulating compensated absences, like special leave privileges, were not recognized.

3.13 Measurement uncertainty

The preparation of financial statements in conformity with IPSAS requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include the setting up of allowance for impairment to provide an adequate amount of uncollectible portion of receivables.

Estimates were based on the best information available at the time of preparation of the financial statements and were reviewed annually to reflect

new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

4. Prior Period Adjustments

Prior period adjustments are recorded by using the Accumulated Surplus/Deficit account. Errors affecting current year's operation are charged to the current year's accounts.

5. Cash and Cash Equivalents

This account consists of the following accounts:

| Account Title | 2020 | 2019 |
|---|-----------------------|-----------------------|
| Petty Cash Fund | 353,267.92 | 404,799.92 |
| Cash in Bank- Local Currency, Current Account | 499,598,939.20 | 561,349,793.81 |
| Cash - Treasury/ Agency Deposit, Regular | 1,270,525.70 | 988,971.74 |
| Total Cash and Cash Equivalents | 501,222,732.82 | 562,743,565.47 |

Cash in Bank – Local Currency, Current Account (LCCA) under the Special Trust Fund represents collections of tuition and other school fees which the College is authorized to use under RA No. 8292. Bank Reconciliation Statements are submitted to support the ending balances of the account.

6. Receivables

This consists of the following accounts:

| Account Title | 2020 | 2019 |
|--|-----------------------|-----------------------|
| Accounts Receivable | 24,477,665.75 | 14,510,538.94 |
| <i>Allowance for Impairment –Accounts Receivable</i> | (1,177,606.01) | (724,716.21) |
| Net Value - Accounts Receivable | 23,300,059.74 | 13,785,822.73 |
| Loans Receivable – Others | 879,000.00 | 879,000.00 |
| <i>Allowance for Impairment – Others</i> | (44,325.00) | (44,325.00) |
| Net Value – Loans Receivable – Others | 834,675.00 | 834,675.00 |
| Operating Lease Receivable | 294,554.00 | 198,844.00 |
| <i>Allowance for Impairment – Operating Lease Receivable</i> | (7,798.80) | (6,286.88) |
| Net Value – Operating Lease Receivable | 286,755.20 | 192,557.12 |
| Inter-Agency Receivables | 155,467,048.35 | 91,231,493.35 |
| Receivables - Disallowances/Charges | 580,096.79 | 580,096.79 |
| Other Receivables | 1,223,907.75 | 1,148,907.75 |
| <i>Allowance for Impairment</i> | (46,315.39) | (46,315.39) |
| Net Value - Other Receivables | 1,757,689.15 | 1,682,689.15 |
| Total | 181,646,227.44 | 107,727,237.35 |

The Accounts Receivable account represents collectibles for tuition and other school fees from students.

The Loans Receivable – Others account represents outstanding balance of loans granted to students out of funds provided by the CHED in CY 2018 through its Student Financial Assistance Program (STUFAP).

The Operating Lease Receivables represent the receivables due from concessionaires.

The Inter-Agency Receivables is comprised of the Due from NGAs representing advance payments made to the Department of Budget and Management-Procurement Service (DBM-PS) for the purchase of commonly used office supplies and equipment, and undelivered supplies/materials as of yearend. The fund transfer to Philippine International Trading Corporation (PITC) is for partial payment of purchase of aircraft and for the construction of school buildings.

The Receivables–Disallowances and Charges account represents the amount due from employees resulting from audit disallowances which had become final and executory, while the Other Receivables account includes past due and other receivables.

7. Inventories

| Account Title | 2020 | 2019 |
|--|---------------------|-------------------|
| Inventory held for Consumption | | |
| Carrying Amount, January 1, 2020 | 500,739.70 | 1,437,778.80 |
| Additions/ Acquisitions during the year | 1,164,114.00 | 3,822,706.67 |
| Expensed during the year except write-down | (371,353.94) | (4,759,745.77) |
| Carrying Amount, December 31, 2020 | 1,293,499.76 | 500,739.70 |

8. Other Current Assets

This consists of the following accounts:

| Account Title | 2020 | 2019 |
|---------------|-----------------------|---------------------|
| Advances | 121,657,557.19 | 3,785,969.94 |
| Prepayments | 2,243,294.51 | 20,304.58 |
| Total | 123,900,851.70 | 3,806,274.52 |

Prepayments pertain to insurance payments for the Agency's vehicle, aircraft, other properties and personal accident insurance for students, faculty and staffs.

9. Property, Plant and Equipment

| | Land | Furniture, Fixtures & Books | Other Property, Plant & Equipment | Building and Other Structure | Infrastructure & Communication Network | Transportation Equipment | Machinery & Equipment | Construction-in-Progress | Total |
|-------------------------------------|-----------------------|-----------------------------|-----------------------------------|------------------------------|--|--------------------------|-----------------------|--------------------------|-----------------------|
| Carrying Amount 1/1, 2020 | 255,000,000.00 | 7,019,975.80 | 101,418.60 | 36,914,806.14 | | 7,938,649.28 | 30,822,953.38 | | 337,797,803.20 |
| Additions/ Acquisitions /Adjustment | - | 2,590,774.01 | 27,299.00 | 3,433,051.71 | 5,863,840.00 | 11,101,465.67 | 19,533,907.38 | 6,228,771.16 | 48,779,148.93 |
| Reclassification | | | | - | - | | 180,000.00 | | 180,000.00 |
| Sub-total | 255,000,000.00 | 9,610,749.81 | 128,717.6 | 40,347,857.85 | 5,863,840.00 | 19,040,114.95 | 50,536,860.76 | 6,228,771.16 | 386,756,952.13 |
| Depreciation | - | (80,671.75) | (5,033.97) | (1,336,313.40) | - | (283,939.95) | (4,089,390.64) | | (5,795,349.71) |
| Carrying Amount, 12/31/ 2020 | 255,000,000.00 | 9,530,118.06 | 123,683.63 | 39,011,544.45 | 5,863,840.00 | 18,756,175.00 | 46,447,470.12 | 6,228,771.16 | 380,961,602.42 |
| Gross Cost, 12/31/2020 | 255,000,000.00 | 12,414,696.38 | 1,041,485.00 | 63,524,164.37 | 5,863,840.00 | 36,782,549.63 | 114,421,869.75 | 6,228,771.16 | 495,277,376.29 |
| Less: Accumulated Depreciation | - | (2,884,578.32) | (917,801.37) | (24,512,619.92) | - | (18,026,374.63) | (67,974,399.63) | | (114,315,773.87) |
| Carrying Amount, 12/31/2020 | 255,000,000.00 | 9,530,118.06 | 123,683.63 | 39,011,544.45 | 5,863,840.00 | 18,756,175.00 | 46,447,470.12 | 6,228,771.16 | 380,961,602.42 |

Property, Plant and Equipment are carried at cost less accumulated depreciation. The Constructive Period Theory is used for costing the assets.

Regular maintenance, repair and minor replacements are charged against Maintenance and Other Operating Expenses (MOOE).

There was a Contract to Sell of a portion of Villamor Air Base property with a total land area of 17,454 square meters for a contract price of ₱95,997,000.00 which was made and executed by and between Bases Conversion and Development Authority (BCDA) and PhilSCA on September 7, 1999. On July 8, 2001, a Deed of Absolute Sale was executed again by and between BCDA and PhilSCA, after the full payment thereof. On May 31, 2010, the PhilSCA Board of Trustees passed and approved Board Resolution No. 35, series of 2010 on the transfer of the campus of PhilSCA Villamor Air Base to the relocation site provided by BCDA at the Piccio Garden, Villamor Air Base, Pasay City.

On June 10, 2010, a Memorandum of Agreement (MOA) was executed and entered into by and between the PhilSCA, BCDA and Megaworld Corporation whereby PhilSCA agreed to transfer from the PhilSCA Villamor Air Base Pasay Campus to the new PhilSCA relocation site.

In November 2010, the College transferred from its original location at Manlunas St., Villamor Air Base, Pasay City (currently Newport City) to the new site at Piccio Garden, Villamor, Pasay City (in front of South Luzon Expressway Sales Exit).

Pursuant to the said MOA, the following salient points were undertaken, to wit:

- BCDA shall provide a relocation site in exchange for the old campus site which was identified to be at Piccio Garden, Villamor Air Base, Pasay City, with estimated total lot area of 17,000 square meters.
- PhilSCA shall give up its immovable properties in Manlunas Street, Villamor Air Base, Pasay City, details of which are as follows:

| | <u>Acquisition Costs</u> |
|------------------|---------------------------------|
| Land | 95,997,000.00 |
| Office Buildings | 9,099,806.80 |
| School Buildings | <u>36,715,969.85</u> |
| Total | <u>141,812,776.65</u> |

- Megaworld shall assume all expenses in the relocation and replication of the PhilSCA's classrooms, offices, and other facilities to the relocation site. However, no data are available from Megaworld Corporation as to the values of the following constructed buildings as of yearend to effect detailed reporting of property values in the books:

- Main Building 1 – 4 storeys
- Building 2 – 4 storeys
- Hangar Building – 2 storeys
- Quarters Building – 2 storeys
- One storey dormitory
- Flight Simulator Building
- Parking facility

The Land account recorded at ₱255,000,000.00 pertains to the zonal value of the new site measuring about 17,000 square meters at ₱15,000.00 per square meter as determined by the COA Audit Team based on the latest revised zonal values of all lots within the Philippines as of December 11, 2009 as posted in the Bureau of Internal Revenue (BIR) website. Independent property appraisers contracted by PhilSCA in CY 2010, however, revealed an appraised value of the new site from ₱425,000,000.00 to ₱488,712,000.00. There has to be a formal transfer of title yet for the relocation site at Piccio Garden, Villamor Air Base, Pasay City. Further, the Certificate of Acceptance has yet to be issued by the Management to ensure first that the buildings are structurally sound and free from any defects before issuing the said certificate.

The demolished buildings and structures at the old site costing ₱45,815,776.65 which were recorded as of December 31, 2012 were dropped from the books of accounts in CY 2013 as recommended by the COA Audit Team in their Annual Audit Report for CY 2012. Recorded buildings for the year 2014 only refer to buildings occupied by satellite campuses inside the airbases of Mactan (Lapu-Lapu City, Cebu), Basa (Floridablanca, Pampanga) and Fernando (Lipa City, Batangas).

All other properties and deliverables by Megaworld with identified values were already reflected in the books, such as: the Cessna 150 aircraft, audio visual and speech laboratory equipment, chemistry and physics laboratory facilities, standby generator, noise barrier, motor vehicle and other equipment.

In addition, two Deeds of Donations were received by PhilSCA from the Municipalities of Floridablanca, Pampanga and from Medellin, Cebu for a parcel of land and buildings. The donated parcel of land situated at Brgy. Palmayo, Floridablanca, Pampanga, has an estimated area of 16,309 square meters with a two-storey building, a gymnasium and playground, while the donated property at Brgy. Curva, Medellin, Cebu has a total lot area of 500 square meters with a two-storey building structure with a floor area of 355 square meters. On top of the two deeds of donations, another donation was received by PhilSCA in CY 2016 for a parcel of lot representing 15,000 square meters land located at Dalipit East, Cuenca, Batangas for the proposed future relocation of PhilSCA-FAB Campus. All Deeds of Donation did not specify the total value of the properties granted to the College, and are yet to be determined.

10. Financial Liabilities

This consists of:

| Account Title | 2020 | 2019 |
|-------------------------------|-----------------------|----------------------|
| Accounts Payable | 102,499,801.15 | 9,291,156.75 |
| Due to Officers and Employees | 745,163.00 | 1,235,674.90 |
| Guaranty/Security Deposits | 1,559,170.23 | - |
| Total | 104,804,134.38 | 10,526,831.65 |

11. Inter-Agency Payables

This consists of the following accounts:

| Account Title | 2020 | 2019 |
|--------------------|---------------------|---------------------|
| Due to BIR | 5,322,035.18 | 1,944,377.55 |
| Due to GSIS | 3,051,927.91 | 532,026.99 |
| Due to Pag-IBIG | 51,906.16 | 150,247.49 |
| Due to PhilHealth | 36,833.32 | 74,763.56 |
| Due to Other GOCCs | 18,908.73 | 18,908.73 |
| Total | 8,481,611.30 | 2,720,324.32 |

The account consists of taxes withheld for the month of December 2020 from the salaries/wages of personnel, payments made to suppliers and contractors, and remittances to BIR, GSIS, Pag-IBIG, PhilHealth and other GOCCs which are due to be remitted in the ensuing year/month.

12. Other Payables

The account Other Payables in the amounts of ₱798,991.18 and ₱234,352.53 in CYs 2020 and 2019, respectively, refers to the balance due for remittance to the College's accredited employees' association from membership dues and loan repayments.

13. Service and Business Income

The breakdown of this income account is shown as follows:

| Account Title | 2020 | 2019 |
|------------------------|-----------------------|-----------------------|
| Business Income | | |
| School Fees | 146,669,391.41 | 331,053,644.64 |
| Rent/ Lease Income | 321,399.00 | 844,054.55 |
| Interest Income | 221,592.69 | 27,597.71 |
| Fines and Penalties | 368,792.50 | 363,117.00 |
| Other Business Income | 4,827,364.45 | 1,544,259.04 |
| Miscellaneous Income | 45,844.70 | 267,795.74 |
| Total | 152,454,384.75 | 334,100,468.68 |

14. Personnel Services

This account refers to all payments related to the regular salaries and other compensation and personnel benefits received by the teaching and non-teaching personnel of the College, broken down as follows:

14.1 Salaries and Wages

| Account Title | 2020 | 2019 |
|---|----------------------|----------------------|
| Salaries and Wages - Regular | 78,782,396.71 | 73,454,863.35 |
| Salaries and Wages – Casual/Contractual | 3,347,485.21 | - |
| Total | 82,129,881.92 | 73,454,863.35 |

14.2 Other Compensation

| Account Title | 2020 | 2019 |
|---|---------------|--------------|
| Personal Economic Relief Allowance (PERA) | 4,877,289.64 | 4,768,000.29 |
| Representation Allowance (RA) | 460,125.00 | 454,500.00 |
| Transportation Allowance (TA) | 439,468.83 | 443,419.20 |
| Clothing/ Uniform Allowance | 1,278,000.00 | 1,236,000.00 |
| Subsistence Allowance | | - |
| Laundry Allowance | | - |
| Honoraria | 10,435,435.90 | 8,612,180.53 |
| Productivity Incentive Allowance | | 1,019,500.00 |
| Year End Bonus | 6,886,729.00 | - |
| Cash Gift | 1,046,000.00 | - |

| Account Title | 2020 | 2019 |
|---|----------------------|----------------------|
| Mid-Year Bonus | 6,766,277.00 | - |
| Productivity Enhancement Incentive-Civilian | 1,052,500.00 | - |
| Other Bonuses and Allowances | 5,220,000.00 | 16,031,528.54 |
| Total | 38,461,825.37 | 32,565,128.56 |

14.3 Personnel Benefit Contribution

| Account Title | 2020 | 2019 |
|--------------------------------------|---------------------|---------------------|
| Retirement & Life Insurance Premiums | 6,942,601.04 | 7,027,992.52 |
| Pag-IBIG Contributions | 339,621.87 | 232,100.00 |
| PhilHealth Contributions | 1,061,118.74 | 838,717.49 |
| ECI Premiums | 263,200.00 | 128,700.00 |
| Total | 8,606,541.65 | 8,227,510.01 |

14.4 Other Personnel Benefits

| Account Title | 2020 | 2019 |
|--------------------------|---------------------|---------------------|
| Terminal Leave Benefits | 33,788.25 | 815,912.99 |
| Other Personnel Benefits | 6,990,907.04 | 5,926,944.40 |
| Total | 7,024,695.29 | 6,742,857.39 |

15. Maintenance and Other Operating Expenses

This consists of the following accounts:

15.1 Traveling Expenses

| Account Title | 2020 | 2019 |
|-------------------------------|---------------------|---------------------|
| Travelling Expenses - Local | 1,597,531.52 | 3,398,424.37 |
| Travelling Expenses - Foreign | - | 438,414.66 |
| Total | 1,597,531.52 | 3,836,839.03 |

15.2 Training and Scholarship Expenses

| Account Title | 2020 | 2019 |
|-----------------------------|----------------------|----------------------|
| Training Expenses | 13,747,194.00 | 28,091,338.41 |
| Scholarship Grants/Expenses | - | 560,000.00 |
| Total | 13,747,194.00 | 28,651,338.41 |

15.3 Supplies and Materials Expenses

| Account Title | 2020 | 2019 |
|---|--------------|--------------|
| Office Supplies Expenses | 2,203,432.19 | 4,436,994.27 |
| Accountable Forms Expenses | 6,503.00 | 322,751.50 |
| Drugs and Medicines Expenses | 156,316.50 | 91,803.39 |
| Medical, Dental and Laboratory Supplies | 470,169.00 | 277,355.75 |

| Account Title | 2020 | 2019 |
|--|---------------------|----------------------|
| Expenses | | |
| Fuel, Oil, and Lubricants Expenses | 389,833.39 | 1,459,610.91 |
| Textbooks and Instructional Materials Expenses | 119,697.50 | 206,086.35 |
| Other Supplies and Materials Expenses | 5,850,129.44 | 4,549,528.66 |
| Total | 9,196,081.02 | 11,344,130.83 |

15.4 Utility Expenses

| Account Title | 2020 | 2019 |
|----------------------|---------------------|---------------------|
| Water Expenses | 2,541,388.88 | 2,673,290.54 |
| Electricity Expenses | 3,662,377.93 | 7,065,960.99 |
| Total | 6,203,766.81 | 9,739,251.53 |

15.5 Communication Expenses

| Account Title | 2020 | 2019 |
|---|---------------------|-------------------|
| Postage and Courier Services | 12,481.00 | 13,357.00 |
| Telephone Expenses | 312,305.43 | 273,780.01 |
| Internet Expenses | 1,493,864.90 | 63,962.85 |
| Cable, Satellite, Telegraph, & Radio Expenses | 50,000.00 | |
| Total | 1,868,651.33 | 351,099.86 |

15.6 Confidential Intelligence and Extraordinary, Expenses

The account Extraordinary Expenses for CYs 2020 and 2019 amounted to ₱100,000.00 and ₱60,039.00, respectively.

15.7 Professional Services

| Account Title | 2020 | 2019 |
|-----------------------------|----------------------|----------------------|
| Legal Services | 315,180.00 | 284,300.00 |
| Auditing Services | 73,425.15 | 48,016.00 |
| Other Professional Services | 36,881,071.99 | 20,094,906.58 |
| Total | 37,269,677.14 | 20,427,222.58 |

15.8 General Services

| Account Title | 2020 | 2019 |
|------------------------|----------------------|----------------------|
| Security Services | 11,467,844.72 | 7,302,783.42 |
| Other General Services | 20,460,599.87 | 10,609,112.60 |
| Total | 31,928,444.59 | 17,911,896.02 |

15.9 Repairs and Maintenance

| Account Title | 2020 | 2019 |
|---|---------------------|---------------------|
| Repairs and Maintenance - Buildings and Other Structures | 1,435,122.93 | 1,391,356.70 |
| Repairs and Maintenance- Machinery and Equipment | 264,526.69 | 343,295.00 |
| Repairs and Maintenance - Transportation Equipment | 823,270.16 | 4,899,167.73 |
| Repairs & Maintenance - Other Property, Plant & Equipment | | 400.00 |
| Total | 2,522,919.78 | 6,634,219.43 |

15.10 Taxes, Insurance Premiums and Other Fees

| Account Title | 2020 | 2019 |
|----------------------------|---------------------|---------------------|
| Taxes, Duties and Licenses | 78,225.17 | 169,820.30 |
| Fidelity Bond Premiums | 139,762.50 | 150,187.50 |
| Insurance Expenses | 1,112,064.85 | 3,874,649.67 |
| Total | 1,330,052.52 | 4,194,657.47 |

15.11 Other Maintenance and Operating Expenses

| Account Title | 2020 | 2019 |
|--|---------------------|---------------------|
| Advertising Expenses | 895,500.00 | - |
| Printing and Publication Expenses | 1,340,924.49 | 1,372,397.45 |
| Representation Expenses | 2,812,473.25 | 2,662,129.14 |
| Rent/Lease Expenses | 817,701.00 | 593,750.00 |
| Membership Dues and Contributions to Organizations | 280,110.00 | 933,228.77 |
| Subscription Expenses | 115,811.35 | 57,552.72 |
| Donations | 250,000.00 | - |
| Other Maintenance and Operating Expenses | 268,078.24 | 2,968,286.41 |
| Total | 6,780,598.33 | 8,587,344.49 |

15.12 Research Expense

| Account Title | 2020 | 2019 |
|------------------|----------|------------|
| Research Expense | 8,160.00 | 970,280.38 |

16. Non-Cash Expenses

This expense account consists of all the depreciation expenses for the property, plant and equipment and impairment loss from receivables, broken down as follows:

16.1 Depreciation

| Account Title | 2020 | 2019 |
|--|---------------------|---------------------|
| Depreciation - Buildings and Other Structures | 1,336,313.40 | 1,885,131.81 |
| Depreciation - Machinery and Equipment | 4,089,390.64 | 6,793,636.21 |
| Depreciation- Transportation Equipment | 283,939.95 | 474,048.23 |
| Depreciation - Furniture, Fixtures and Books | 80,671.75 | 219,852.00 |
| Depreciation-Other Property, Plant and Equipment | 5,033.97 | - |
| Total | 5,795,349.71 | 9,372,668.25 |

16.2 Impairment Loss

| Account Title | 2020 | 2019 |
|---|-------------------|-----------------|
| Impairment Loss - Loans and Receivables | 452,889.80 | - |
| Impairment Loss –Other Receivables | 1,511.92 | 1,816.88 |
| Total | 454,401.72 | 1,816.88 |

17. Financial Assistance/Subsidy

The total net financial assistance/subsidy consists of the following:

| Particulars | 2020 | 2019 |
|---|-----------------------|-----------------------|
| NCA received for the year | 172,112,674.00 | 150,089,943.00 |
| Tax Remittance Advice (TRA) | 6,000,570.83 | 5,975,647.61 |
| Total | 178,113,244.83 | 156,065,590.61 |
| Less: Reversal of unutilized NCA | (2,178,377.86) | (778,748.58) |
| Net Financial Assistance/Subsidy | 175,934,866.97 | 155,286,842.03 |

18. Receipt of Notice of Cash Allocations (NCA)

| Month | 2020 | 2019 |
|--------------|-----------------------|-----------------------|
| January | 10,251,000.00 | 9,844,000.00 |
| February | 10,251,000.00 | 10,723,357.00 |
| March | 10,251,000.00 | 9,844,000.00 |
| April | 13,421,000.00 | 8,186,000.00 |
| May | 15,968,000.00 | 12,326,000.00 |
| June | 10,840,000.00 | 7,039,000.00 |
| July | 9,803,000.00 | 11,920,000.00 |
| August | 9,803,000.00 | 17,979,709.00 |
| September | 9,803,000.00 | 14,065,221.00 |
| October | 26,221,061.00 | 14,251,125.00 |
| November | 22,657,743.00 | 22,066,403.00 |
| December | 22,842,870.00 | 11,845,128.00 |
| Total | 172,112,674.00 | 150,089,943.00 |

19. Collection of Income/Revenues

The total income/income realized by the College for FY 2020 is broken down as follows:

| Particulars | 2020 | 2019 |
|-----------------------------|-----------------------|-----------------------|
| Service and Business Income | 108,431,050.18 | 271,888,810.85 |
| Other Income | 4,827,364.45 | 544,491.39 |
| Total | 113,258,414.63 | 272,433,302.24 |

20. Collection of Receivables

The collection of accounts receivables by the College for FYs 2020 and 2019 amounted to ₱130,716.75 and ₱30,499.88, respectively.

21. Other Receipts

Other Receipts consist of the following:

| Particulars | 2020 | 2019 |
|-------------------------|---------------------|-------------------|
| Refund of Cash Advances | 1,207,339.75 | 278,485.00 |
| Unused Petty Cash Fund | 483.71 | - |
| Total | 1,207,823.46 | 278,485.00 |

22. Payment of Expenses

| Particulars | 2020 | 2019 |
|---|-----------------------|-----------------------|
| Payment of personnel services | 102,722,507.76 | 98,872,488.96 |
| Payment of maintenance and other operating expenses | 133,886,495.96 | 44,673,867.03 |
| Payment of expenses pertaining to / incurred in the prior years | 3,813,936.34 | 17,422.19 |
| Total | 240,422,940.06 | 143,563,778.18 |

23. Grant of Cash Advances

The total Cash Advances/Payroll Fund/Petty Cash Fund granted is as follows:

| Particulars | 2020 | 2019 |
|----------------------------|----------------------|---------------------|
| Special Disbursing Officer | 9,777,744.56 | 5,705,462.80 |
| Officers and Employees | 590,486.00 | 1,373,527.52 |
| Total | 10,368,230.56 | 7,078,990.32 |

24. Prepayments

Total Prepayments for CYs 2020 and 2019 detailed as follows:

| Particulars | 2020 | 2019 |
|---|----------------------|------------------|
| Advances to Contractors | 20,004,229.45 | |
| Prepaid Insurance | 3,793,642.36 | |
| Personal accident insurance for students, faculty and staff | | 29,427.91 |
| Total | 23,797,871.81 | 29,427.91 |

25. Payment of Accounts Payable

The payment of accounts payable for CYs 2020 and 2019 refers to:

| Particulars | 2020 | 2019 |
|-------------------------------|--------------|------|
| Prior year's accounts payable | 2,265,347.11 | - |

26. Remittance of Personnel Benefit Contributions and Mandatory Deductions

This refers to the total monthly remittances of GSIS/Pag-IBIG/PhilHealth and other payables, broken down as follows:

| Particulars | 2020 | 2019 |
|---|----------------------|----------------------|
| Remittance of taxes withheld not covered by TRA | 12,814,885.16 | 705,099.50 |
| Remittance to GSIS/Pag-IBIG/PhilHealth | 14,980,508.37 | 16,546,992.28 |
| Remittance to other payables | 7,153,335.53 | 6,354,662.42 |
| Total | 34,948,729.06 | 23,606,754.20 |

27. Reversal of Unutilized NCA

The total unutilized NCA balance for FY 2020 amounted to ₱2,178,377.86, which was reverted to the account of the National Treasury as at December 31, 2020.

28. Purchase of Property, Plant and Equipment

| Particulars | 2020 | 2019 |
|---|---------------|---------------|
| Construction of Infrastructure Assets | 10,092,295.59 | |
| Purchase of machinery and equipment | 24,008.71 | 189,376.00 |
| Construction in Progress | 7,241,220.53 | |
| Purchase of furniture, fixtures and books | 2,421,945.00 | - |
| Purchase of Office Equipment | 313,171.85 | |
| Purchase of Sports Equipment | 44,055.54 | |
| Purchase of Medical Equipment | 26,500.00 | |
| Purchase of Aircraft and Aircrafts Ground Equipment | 6,583,100.00 | |
| Purchase of Information and Communication Equipment | 619,125.85 | |
| Construction of buildings and other structures | 3,825,869.18 | 10,927,663.13 |

| Particulars | 2020 | 2019 |
|---|----------------------|----------------------|
| Purchase of other Property, Plant and Equipment | 58,125.00 | 786,443.00 |
| Purchase of transportation equipment | 1,702,300.00 | - |
| Payment for Retention Fee to Contractors | 309,919.89 | |
| Total | 33,261,637.14 | 11,903,482.13 |

29. Prior Period Adjustments/Unrecorded Income and Expenses

This refers to the effect of prior period adjustments derived from the restoration of Cash account due to stale/cancelled checks issued in prior years and other adjustments resulting in the increase of Net Assets/Equity. This consists of the following:

| Particulars | Net Effect to Accumulated Surplus/(Deficit) Beginning Balances, January 1, 2020 |
|---|--|
| Liquidation of advances made in 2019 and reimbursement of various expenses account | 277,341.70 |
| Payment of claims for various creditors/suppliers for utilities and supplies. | 835,480.76 |
| Payment of salary of personnel for services rendered in 2019 | 551,255.59 |
| Adjustments on the account Property, Plant & Equipment due to change in accounting policy | (3,197,300.00) |
| Adjustments on Accumulated Depreciation due to change in accounting policy | 3,505,087.37 |
| Adjustment for correction of income due to erroneous entry | 141,490.00 |
| Recording of various expenses incurred in 2019 | 369,231.10 |
| Total | 2,482,586.52 |

30. Comparison of Budget and Actual Amounts

The original budget for Personnel Services in the amount of ₱111,419,000.00 was increased by ₱6,754,000.00 due to the receipt of Special Purpose Funds released under Special Allotment Release Orders as shown in the List of Allotments and Sub-Allotments (FAR No.1-B) as at December 31, 2020.

The final budgeted amounts for MOOE and Capital Outlays for FY 2020 were ₱41,444,000.00 and ₱20,000,000.00, respectively. Unobligated releases for prior years' Capital Outlays amounted to ₱34,913.76.

The total disbursements for Personnel Services amounted to ₱117,277,049.22, leaving a difference of ₱1,064,457.78 from the final budget allocation for Personnel Services, while the MOOE total disbursements amounted to ₱40,330,079.92 with a balance of ₱1,113,920.08. The total disbursements for Capital Outlays under

current year and prior year's appropriations amounted to ₱19,965,086.24 and ₱9,880,923.00, leaving a balance of ₱34,913.76 and ₱119,077.00, respectively.

30.1 Personnel Services

| Particulars | Budgeted Amount | | Actual Amounts on Comparable Basis |
|---------------------------------------|-----------------------|-----------------------|------------------------------------|
| | Original | Final | |
| Agency Specific Budget | 103,347,000.00 | 108,872,000.00 | 107,807,542.22 |
| Retirement and Life Insurance Premium | 8,072,000.00 | 2,715,507.00 | 2,715,507.00 |
| Special Purpose Fund | - | 6,754,000.00 | 6,754,000.00 |
| Total | 111,419,000.00 | 118,173,867.00 | 117,277,049.22 |

30.2 Maintenance and Other Operating Expenses

| Particulars | Budgeted Amount | | Actual Amounts on Comparable Basis |
|-----------------------------|----------------------|----------------------|------------------------------------|
| | Original | Final | |
| Current Year Appropriations | 48,469,000.00 | 41,444,000.00 | 40,330,079.22 |
| Total | 48,469,000.00 | 41,444,000.00 | 40,330,079.22 |

30.3 Capital Outlays

| Particulars | Budgeted Amount | | Actual Amounts on Comparable Basis |
|--|----------------------|----------------------|------------------------------------|
| | Original | Final | |
| Continuing Appropriations | | | |
| Acquisition/Purchase of College Bus | 5,000,000.00 | - | - |
| Rehabilitation of Electrical Lines and Equipment | 20,000,000.00 | 20,000,000.00 | 19,965,086.24 |
| Total | 25,000,000.00 | 20,000,000.00 | 19,965,086.24 |