

Executive Summary

A. Introduction

John Hay Management Corporation (JHMC), a wholly-owned subsidiary of the Bases Conversion and Development Authority (BCDA), has the mission to develop Camp John Hay into a premier tourist and investment destination that enforces efficient and effective regulation; ensures sustainable multiple use of the forest watershed; and contributes to national economic growth and job generation.

JHMC envisions that by 2018, Camp John Hay shall have transformed into the primary catalyst for the tourist development within the Cordillera Region and the leader of environment and forest stewardship in the Philippines.

B. Financial Highlights

Comparative Financial Position and Results of Operations:

Accounts	Calendar Year		Increase (Decrease)	
	2015	2014	Amount	Percent
Assets	210,358,868	190,844,646	19,514,222	10.23%
Liabilities	329,012,529	316,436,092	12,576,437	3.97%
Equity	(118,653,662)	(125,591,446)	6,937,784	5.52%
Gross Income	74,070,446	71,415,583	2,654,863	3.72%
Expenses	59,014,355	59,456,286	(441,931)	(0.74%)
Net Income	15,056,091	11,959,297	3,096,794	25.89%

C. Operational Highlights

The John Hay Management Corporation (JHMC) continues to be a strong catalyst for economic growth and job generation in the Cordillera Region, unwavering in its mandate to develop Camp John Hay as a premier tourist and investment destination and a center for human resource development, while ensuring sustainable multiple use of the forest watershed and enforcing effective and efficient regulation in the John Hay Special Economic Zone (JHSEZ) and the John Hay Reservation Area (JHRA). Among its accomplishments are the following:

1. In 2015, the JHMC worked towards its recognition as a government corporation that abides by the standards of the International Organization for Standardization for its Quality Management System. In March 2016, the JHMC achieved its certification and accreditation to the ISO 9001:2008.
2. Approval by the BCDA to increase the Authorized Capital Stocks of JHMC from ₱120 million to ₱500 million. This proposal has been pending since year 2014. The said increase has allowed the accurate reflection of BCDA's accumulated stock subscriptions and approximates the value of the entire

Camp John Hay in terms of existing infrastructure developed since JHMC (then JPDC) was incorporated in 1993. Further, the increase in capitalization likewise provides a better indication of the potential for future developments in the Camp.

3. JHMC has continued to promote the Camp for recreational and eco-cultural tourism and as a preferred M.I.C.E (Meetings, Incentives, Conventions and Exhibitions) destination. Based on data from accommodation facilities, the tourist arrivals in Camp John Hay increased by 30% with about 268,621 visitors for the year 2015. The opening of the Tarlac-Pangasinan-La Union Expressway (TPLEX) up to Urduyeta, Pangasinan in 2015, significantly shortened travel time to the City of Baguio, and is seen to have likewise contributed to the increase in the number of tourists. Also, the marketing of the Historical Core as a preferred destination for corporate events and family occasions was intensified. There were 57 marketing events, functions and eco-tours held in 2015, with nuptials consistently accounting for about 80% of events.
4. On the aspect of business development and job generation, the JHMC posted the following accomplishments:
 - Employment increased by 22% with a total of 5,090 employed. Sixty-four per cent or 3,256 of these jobs were provided for by the business processing outsourcing (BPO) facilities, namely, the InterContinental Hotels Group and Convergys. Ninety-five per cent of this workforce in the Zone is sourced from the BLISTT ensuring that the local residents are the direct beneficiaries of the developments in Camp John Hay;
 - Awarding of the lease contract to the consortium Vendeka Bilgi Teknolojileri Ticaret Limited Sirketi and Isabela Power Corporation for the reconstruction, operation and maintenance of the CJH Mini-Hydro Power Plant which covers an area of 38 hectares for a period of 25 years renewable for another 25 years;
 - The JHMC continues its efforts towards the resolution, in favor of the government, of the case filed by the BCDA against Camp John Hay Development Corporation (CJHDevCo), the private developer of the 247-hectare property within the JHSEZ due to non-payment of lease rentals amounting to about P3.7 billion. The case is currently pending before the Supreme Court with an appeal for government to take possession of the said property due to material breaches in the lease agreements.
5. In year 2015, the JHMC undertook the preparation of the complete survey returns for the new Consolidation and Subdivision Survey Plans of the CJHR. All the surveys were done in-house through the JHMC's Land and Asset Management Division (LAMD) and were jointly validated with the DENR, Land Management Service-CAR. The first phase of this Special Patent

Application (SPA) was endorsed for approval to the Office of the Secretary of the DENR in December 2015.

D. Scope of Audit

The audit covered the accounts, transactions and operations of the Corporation for the calendar year 2015. The objectives of the audit were to ascertain the fairness and reliability of the Corporation's financial position and results of operations, and determine whether the plans, programs and activities for the year were attained in an efficient, economical and effective manner. We also conducted compliance audit to check the legality and propriety of the transactions and compliance with applicable laws, rules and regulations.

E. Independent Auditor's Report

We rendered a qualified opinion on the fairness of the presentation of the financial statements of the Corporation for reasons cited as follows:

- a. Accuracy of the balance of Accounts Payable of ₱17,786,847.75 could not be ascertained in view of their being outstanding from one to eighteen years and the presence of negative balances totaling ₱1,557,080.01, contrary to Sections 98, 111 and 112 of Presidential Decree (P.D.) No. 1445.

F. Observations and Recommendations

Following are the other significant audit observations and recommendations:

1. Disbursement vouchers totaling ₱516,887.53, representing payments for the salaries of an employee who has not been reporting for work, were processed and paid without supporting documents, contrary to the provisions of Sections 4 and 61 of the Government Auditing Code of the Philippines (P.D. No. 1445) dated June 11, 1978, thereby, rendering said disbursements to be irregular and which might result in the loss of government funds, hence, were disallowed in audit.

We recommended that Management:

- a. Strictly comply with the provisions of Sections 4 and 61 of the Government Auditing Code of the Philippines (P.D. No. 1445) dated June 11, 1978, as well as COA Circular No. 2012-001 in order to avoid the incurrence of unsupported disbursements; and
- b. Direct the persons liable to settle immediately the said disallowance or file an appeal within six months from receipt of the Notice of Disallowance, otherwise, the same shall become final and executory as prescribed under Sections 48 and 51 of P.D. No. 1445.

2. Verification of Bank Reconciliation Statements for the period January to December 2015 revealed that a total of three checks totaling P8,500.00 remained outstanding as of December 31, 2015, thereby, the year-end balances of the accounts Cash in Bank and Prior Years' Adjustment are overstated by the same amount.
We recommended and Management agreed to require the Accounting/Finance Division to:
 - a. Communicate with the payees to determine the reasons why these checks have not been encashed;
 - b. Require the payees to surrender the said checks for possible replacement, if necessary; and
 - c. Make an adjusting entry to revert back the amount of P 8,500.00 to the Cash in Bank account and to credit the Prior Years' Adjustment account in order to reflect the correct balances of the said accounts at year-end, after the first two recommendations mentioned above have been settled or done.
3. The consultancy services entered into by the Corporation with the Benguet State University on the Prevention and/or Control of Pest and Disease Infestation/Infection within Camp John Hay's Forest Watershed Area in the amount of P220,000.00 remained not fully completed by the consultant, as of year-end, despite the lapse of two years from the Notice to Proceed. This resulted in the loss of the funds paid and the non-completion of the project which is detrimental to the preservation of the Camp John Hay's forest watershed area.

We recommended that Management require the concerned personnel to require the submission of the Terminal Report and assess and evaluate the same as to full compliance with the terms embodied in the said MOA, with recommendations also with regard to the completion of the project.

4. Audit of the funds and disbursements of the Corporation relative to its Gender and Development (GAD) fund for the period January 1, 2015 to December 31, 2015 disclosed the following:
 - a. The allotted funds for the Corporation's GAD projects was short by P2.428 million of the required allocation of P3.428 million which should be at least five per cent (5%) of the total budget appropriations.
 - b. The allotted funds for the said GAD programs and projects were not fully utilized since only two out of the four activities/programs scheduled therein were carried out during the year.
 - c. The programs and projects identified were not only geared towards development of the agency's personnel but also for the development of facilities to cater to gender-sensitive clients and partnership with neighboring communities.

- d. Disbursements amounting to P322,796.89 for the items needed for the community projects and seminars/trainings were purchased in accordance with auditing and accounting rules and regulations.

4.1 We recommended and Management agreed to:

- a. Strictly comply with the provisions of Philippine Commission on Women (PCW) and Executive Order (E.O.) No. 273 as regards the preparation of programs, projects and activities geared towards development of both the agency's personnel as well as its clients, as well as its approval.
- b. Implement early or carry out as scheduled, continuing GAD plans and projects.

G. Summary of Total Suspensions, Disallowances and Charges

The unsettled disallowances, suspensions and charges of the agency on the settlement of accounts as of December 31, 2015 amounted to P2,130,772.68, P0.00, and P0.00, respectively.

H. Status of Implementation of Prior Years' Audit Recommendations

Status of Implementation	Audit Reports for the Calendar Year/s			
	2014	2013	2012 & PYs	Total
Fully Implemented	10	1	12	23
Partially Implemented	4	3	11	18
Not Implemented	0	0	1	1
Totals	14	4	24	42



Republic of the Philippines
COMMISSION ON AUDIT
Cordillera Administrative Region
Km 6, La Trinidad, Benguet

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS
John Hay Management Corporation
John Hay Special Economic Zone
Baguio City



Report on the Financial Statements

We have audited the accompanying financial statements of John Hay Management Corporation (a wholly-owned subsidiary of the Bases Conversion and Development Authority), which comprise the statement of financial position as at December 31, 2015, and the statement of income and expenses, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amount and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion


1. Accuracy of the balance of Accounts Payable of ₱17,786,847.75 could not be ascertained in view of their being outstanding from one to eighteen years and the presence of negative balances totaling ₱1,557,080.01, contrary to Sections 98, 111 and 112 of Presidential Decree (P.D.) No. 1445.


Qualified Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of John Hay Management Corporation as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards.

COMMISSION ON AUDIT

BY:


ROBERTO G. PADILLA
OIC – Supervising Auditor

March 31, 2016 





Republic of the Philippines
COMMISSION ON AUDIT
Cordillera Administrative Region
Km 6, La Trinidad, Benguet

INDEPENDENT AUDITOR'S REPORT

Ms. JAMIE ELOISE M. AGBAYANI, M.D.
President and Chief Executive Officer
John Hay Management Corporation
Camp John Hay
Baguio City



Report on the Financial Statements

We have audited the accompanying financial statements of John Hay Management Corporation (a wholly-owned subsidiary of the Bases Conversion and Development Authority), which comprise the statement of financial position as at December 31, 2015, and the statement of income and expenses, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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Basis for Qualified Opinion

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COMMISSION ON AUDIT

BY:


ROBERTO G. PADILLA
OIC – Supervising Auditor

March 31, 2016



JHMC

JOHN HAY MANAGEMENT CORPORATION
a member of The BCDA Group

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The management of JOHN HAY MANAGEMENT CORPORATION is responsible for the preparation and fair presentation of the financial statements for the year ended **December 31, 2015**, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders.

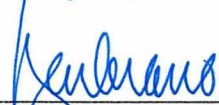
The Commission on Audit, in pursuance of its mandate under Section 2, Article IX-D of the Philippine Constitution and pertinent provisions of Presidential Decree 1445, has examined the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such examination.



SILVESTRE C. AFABLE JR.
Chairman of the Board



JAMIE ELOISE M. AGBAYANI, M.D.
President and CEO



RONALD B. ZAMBRANO
Finance Manager

Signed this _____ day of MARCH 6 2016 MAR 16 2016

JOHN HAY MANAGEMENT CORPORATION
(A Wholly-Owned Subsidiary of the Bases Conversion and Development Authority)
STATEMENT OF FINANCIAL POSITION
For the year ended December 31, 2015
(With Comparative Figures for the year ended December 31, 2014)
(In Philippine Peso)

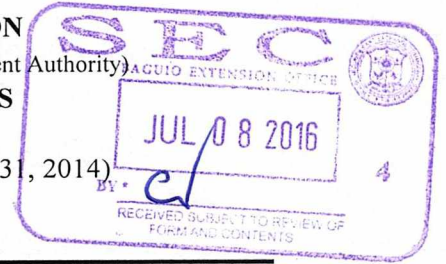


	Note	2015	2014
ASSETS			
Current Assets			
Cash and Cash Equivalents	4	91,184,629	76,357,175
Receivables	5	55,492,506	47,194,005
Inventories	6	7,032,708	7,075,381
Prepayments	7 & 8	6,267,009	5,907,383
Total Current Assets		159,976,851	136,533,944
Non-Current Assets			
Investments	9	132,000	132,000
Property, Plant and Equipment - Net	10	33,558,818	35,864,863
Accounts Receivable - Long Term, Net	11	5,407,946.00	7,030,583
Other Non-Current Assets	12	11,283,253	11,283,256
Total Non-Current Assets		50,382,017	54,310,702
TOTAL ASSETS		210,358,868	190,844,646
LIABILITIES AND EQUITY			
Current Liabilities			
Payable Accounts	13	32,723,696	27,149,925
Inter-agency Payables	14	4,024,115	5,926,345
Intra-agency Payables	15	22,584,866	17,461,084
Other Liability Accounts	16	1,143,194	915,201
Total Current Liabilities		60,475,870	51,452,555
Non-Current Liabilities			
Other Long-Term Liabilities	17	3,305,815	-
Other Deferred Credits	18	1,416,765	1,169,458
Deposit for Future Stock Subscriptions:	19		
Balance at Beginning of Year		263,814,079	263,814,079
Additional Equity		-	-
Balance at Year-end		263,814,079	263,814,079
TOTAL NON-CURRENT LIABILITIES		268,536,659	264,983,537
TOTAL LIABILITIES		329,012,529	316,436,092
EQUITY		(118,653,662)	(125,591,446)
TOTAL LIABILITIES AND EQUITY		210,358,868	190,844,646

See accompanying Notes to Financial Statements



JOHN HAY MANAGEMENT CORPORATION
 (A Wholly-Owned Subsidiary of the Bases Conversion and Development Authority)
STATEMENT OF INCOME AND EXPENSES
For the year ended December 31, 2015
 (With Comparative Figures for the year ended December 31, 2014)
 (In Philippine Peso)



	Note	2015	2014
REVENUES			
Rent Income	20	16,799,624	15,999,642
Estate Management Fee	21	52,852,562	51,882,219
General Income		-	-
Other Service Income:			
Common Usage Service Area (CUSA)	22	2,235,851	2,140,811
Other Service Income (SEZAD)	23	552,808	682,379
Miscellaneous Income	24	368,675	85,872
Gross Income		72,809,521	70,790,923
OPERATING EXPENSES			
Personal Services	25	27,392,574	26,155,288
Maintenance and Other Operating Expenses	26	31,621,781	33,300,997
Total Expenses		59,014,355	59,456,286
OPERATING INCOME		13,795,165	11,334,638
OTHER INCOME (EXPENSES)	27	1,260,925	624,660
NET PROFIT BEFORE INCOME TAX		15,056,091	11,959,298
Income Tax Expense		(4,397,489)	(4,673,921)
NET PROFIT		10,658,602	7,285,376

See accompanying Notes to Financial Statements



JOHN HAY MANAGEMENT CORPORATION
(A Wholly-Owned Subsidiary of the Bases Conversion and Development Authority)
STATEMENT OF CHANGES IN EQUITY
For the year ended December 31, 2015
(With Comparative Figures for the year ended December 31, 2014)
(In Philippine Peso)

	Note	2015	2014
CAPITAL STOCK - ₱100.00 par value			
Authorized, issued and fully paid - 1,200,000 shares	28	120,000,000	120,000,000
DEFICIT			
Balance at beginning of year			
As previously reported		(245,591,446)	(252,963,159)
Prior Years' Adjustment - PYA	29	(3,720,817)	86,336
As restated		(249,312,263)	(252,876,822)
Net Income		10,658,602	7,285,376
Correction of prior years' errors		-	-
Balance at end of year		(238,653,662)	(245,591,446)
CAPITAL DEFICIENCY		(118,653,662)	(125,591,446)

See accompanying Notes to Financial Statements

JOHN HAY MANAGEMENT CORPORATION
(A Wholly-Owned Subsidiary of the Bases Conversion and Development Authority)
STATEMENT OF CASH FLOWS
For the year ended December 31, 2015
(With Comparative Figures for the year ended December 31, 2014)
(In Philippine Peso)

	Note	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Inflows:			
Estate Management Fee/Subsidy from BCDA (Current)		67,895,000	64,562,875
Estate Management Fee/Subsidy from BCDA (Prior Yrs.)		-	-
SBHP Administrative Fee		368,675	-
Collection of fund for Reimbursement of SBHP BIR Pen.		364,239	-
Land Related Cost Reimbursement		56,728,223	23,368,278
Maintenance Fee Fund from BCDA		-	-
Collection of Generated Income - JHMC		555,006	663,813
Collection of Generated Income - BCDA		5,847,001	5,334,109
Collection of Deferred Generated Income - BCDA		85,500	-
Collection of Rental and CUSA from City Trail		-	-
Collection of IHG Rental		18,230,830	15,999,642
Collection of IHG CUSA		2,122,566	1,862,795
Collection of Treetop Adventure Rental		1,021,250	950,000
Collection of Treetop Adventure CUSA		240,000	240,000
Collection of Purchase price of Scout Barrio Lots		3,391,039	3,131,448
Collection of Refund of Overpayment from SBHP Benef.		-	-
Collection of PEZA Rental		6,446,367	6,278,473
Collection from Sale of Terms of Reference (TOR)		300,000	-
Collection of Bidders' Documents		20,000	100,500
Collection of Bidders' Security Deposit		-	233,520
Collection of Guaranty Deposits & performance Bond		28,000	148,999
Collection of Receivables - Return of OPEX		539,564	745,547
Collection of Receivables - Disallowances		-	-
Collection of Receivable - Car Plan		715,766	-
Recovered Cost of Coffee Table Book		3,095	-
Reversal by DBP of Charges for Dormant Account		-	5,042
Cancellation of Checks		112,848	1,509,904
Interest from Bank Accounts		830,326	595,885
Total Cash Inflows		165,845,296	125,730,828
Cash Outflows:			
Payment to Suppliers/Creditors and Employees		54,458,877	(48,297,764)
Land Related Cost Expenses		54,708,636	(44,283,509)
Remittance of Pag-ibig/SSS/PHIC/BIR		7,629,421	(7,161,336)
Payment of Taxes and Duties		150,281	(1,419,958)
Payment of BAC Honoraria		43,310	(46,750)

Remittance of Income Collections from the JHSEZ	5,232,909	-
Remittance/Charges to IHG Collections	16,799,624	(15,999,642)
Remittance/Charges to Treetop Adventure Collections	1,021,250	(950,000)
Remittance/Charges to PEZA Collections	6,443,818	(6,278,281)
Remittance/Charges to Scout Barrio Collections	4,727,478	(1,848,813)
Refund of BIR Penalties to beneficiaries of SBHP	-	-
Refund of SBHP Beneficiaries Overpayment	-	-
Refund of Guaranty/Security Deposits & Performance Bond	323,069	(123,555)
Refund of Bidders' Documents/ Customer Deposits	-	(33,316)
Bank Charges	-	(2,485)
Total Cash Outflows	151,538,675	(126,445,410)
Total Cash Provided(Used) by Operating Activities	14,306,621	(714,582)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Inflows:		
Deposit for Future Sales Subscription	-	-
Collection from Sale of Movable Assets	156,651	-
Collection for Capital Outlay	665,000	3,318,986
Total Cash Inflows	821,651	3,318,986
Cash Outflows:		
Capital Outlay	621,589	(3,318,986)
CAPEX Projects	-	-
Capital Expenditures - 2012	-	(108,851)
Total Cash Outflows	621,589	(3,427,837)
Total Cash Provided(Used) by Investing Activities	200,062	(108,851)
CASH PROVIDED BY OPERATING, INVESTING AND FINANCING ACTIVITIES		
	14,506,683	(823,433)
Add/(Deduct): FOREX Effect	320,771	29,169
Add: Cash and Cash Equivalents at Beginning of the Year	76,357,175	77,151,438
CASH & CASH EQUIVALENTS AT END OF YEAR	91,184,629	76,357,175

See accompanying Notes to Financial Statements