



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

ANNUAL AUDIT REPORT

on the

JOHN HAY MANAGEMENT CORPORATION
Baguio City

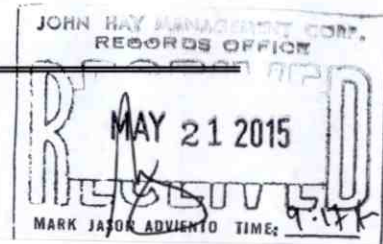
For the Year Ended December 31, 2014



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

March 30, 2015

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



John Hay Management Corporation
a member of the BCDA Group
OPCEO-IN-2016-0409

Madam:

We are pleased to transmit the Annual Audit Report of the John Hay Management Corporation for the year ended December 31, 2014 in compliance with Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines. The audit was conducted in accordance with International Standards on Auditing and we believe that it provided reasonable basis for the results of our audit.

A financial audit was conducted and was aimed at ascertaining the propriety of financial transactions, the accuracy of financial reports, the adequacy of accounting records, as well as the fairness of the presentation of the financial statements. Likewise, it was conducted to ascertain compliance with applicable laws, rules and regulations.

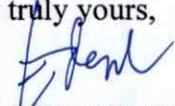
The audit report consists of three parts. Part I contains the audited Financial Statements; Part II contains the Observations and Recommendations; and Part III contains the Status of Implementation of Prior Years' Audit Recommendations.

The audit observations and recommendations were discussed with concerned officials of the Corporation in an exit conference held on March 24, 2015. Management's comments were incorporated in the report, where appropriate.

We request that the recommended remedial measures be immediately implemented and we will appreciate being informed of the action(s) taken thereon by submitting the duly accomplished Agency Action Plan and Status of Implementation form, hereto attached, within 60 days from receipt of this report, pursuant to Section 88 of the General Provisions of the General Appropriations Act for FY 2014 (Republic Act No. 10633).

We acknowledge the cooperation extended to the Audit Team by the officials and staff of the Corporation.

Very truly yours,


Atty. EDEN T. RAFANAN
Director IV
Regional Director

(Name of the Agency and Address)

**AGENCY ACTION PLAN and
 STATUS OF IMPLEMENTATION**
Audit Observations and Recommendations
For the Calendar Year 2014
 As of _____

Ref.	Audit Observations	Audit Recommendations	Agency Action Plan				Status of Implementation	Reason for Partial Delay/Non-Implementation, if applicable	Action Taken/Action to be Taken
			Action Plan	Person/Dept. Responsible	Target Implementation Date				
					From	To			

Agency sign-off:

Name and Position of Agency Officer

Date

Note: Status of Implementation may either be (a)Fully implemented, (b)Ongoing, (c)Not Implemented, (d)Partially Implemented, or (e)Delayed

Executive Summary

A. Introduction

Republic Act No. 7227 (RA 7227) or the Bases Conversion and Development Authority Act (BCDA) Act of 1992 was enacted a year after the former American military base in Camp John Hay was formally turned over to the Philippine Government. This Act gave full authority to BCDA to facilitate the sound and balanced conversion of the former US military bases and their extensions for the productive use of the Filipino people.

For this purpose, BCDA was directed to create subsidiary corporations as their implementing arm over said bases, thus John Hay Poro Point Development Corporation (JPDC) was created to administer and manage Camp John Hay in the City of Baguio and Poro Point or the former Wallace Air Station in San Fernando, La Union.

Pursuant to RA 7227, Proclamation No. 420 dated July 5, 1994 created and designated a portion of Camp John Hay, covering an area of about 288.1 hectares, as the John Hay Special Economic Zone (JHSEZ) which provided tax and other government incentives to registered enterprises.

On October 3, 2002, Executive Order No. 132 was issued separating JPDC into two subsidiaries named as John Hay Management Corporation (JHMC) and Poro Point Management Corporation (PPMC). JHMC was designated as the administrator of the 625-hectare Camp John Hay Reservation (CJHR) comprised of the JHSEZ and the John Hay Reservation Area (JHRA). PPMC, on the other hand was designated to administer and oversee the development of the Poro Point Freeport Zone.

To develop Camp John Hay as a premiere tourism and investment destination and to enforce efficient and effective regulation and a center for human resource development, JHMC revisited its Mission, Vision and Core Values in 2013 and established its Major Final Outputs for CYs 2013 and 2014. As the stewards of more than fifty per cent (50%) of the forest cover of the City of Baguio, JHMC ensures the sustainable multiple use of the forest and forest watersheds and contributes to economic growth and job generation in our country.

B. Financial Highlights

Comparative Financial Position and Results of Operations:

Accounts	Calendar Year		Increase (Decrease)	
	2014	2013	Amount	Percent
Assets	190,844,646	167,281,901	23,562,745	14.09
Liabilities	316,436,092	300,245,060	16,191,032	5.39

Accounts	Calendar Year		Increase (Decrease)	
	2014	2013	Amount	Percent
Equity	(125,591,446)	(132,963,159)	7,371,713	5.54
Gross				
Income	71,415,583	79,065,193	(7,649,610)	(9.68)
Expenses	59,456,286	74,684,207	(15,227,921)	(20.39)
Net Income	11,959,298	4,380,986	7,578,312	172.98

C. Operational Highlights

JHMC highlights for the year 2014 disclosed remarkable accomplishments toward attaining its mission to ensure sustainable multiple use of the forest watershed and its vision to gradually transform Camp John Hay to be the leader of environment and forest stewardship in the Philippines. Among its accomplishments are the following:

1. JHMC revisited its Mission, Vision and Core Values in 2014 and established its Major Final Outputs for CY 2014. As the stewards of more than fifty per cent of the forest cover of the City of Baguio, JHMC ensures the sustainable multiple use of the forest and forest watersheds and contributes to economic growth and job generation in our country.
2. 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. There has been a consistent increase in the number of business enterprises in the JHSEZ, resulting in an increase in the jobs and revenue generated. In 2014, an increase of 20 percent or 4,173 employees inside the JHSEZ has been recorded by our Labor Center. In the BPO sector, employment increased from 1,746 to 2,450, a remarkable increase of 37 percent. Ayala TechnoHub increased its locators by 13 percent, from 30 locators in 2013 to 34 last year.
3. Among the major challenges of JHMC are its efforts toward the resolution of the non-payment of the Camp John Hay Development Corporation (CJHDevCo) of its lease rental for the 247 hectares of prime land in the JHSEZ, which amounted to about PHP 3.4 Billion as of 31 December 2014. JHMC played a major role in the arbitration case between BCDA and CJHDevCo.

D. Scope of Audit

The audit covered the financial transactions of the Corporation for the calendar year 2014.

E. Independent Auditor's Report

We rendered a qualified opinion on the fairness of the presentation of the financial statements of the Corporation for the reasons stated in the State Auditor's Report on the Financial Statements.

F. Observations and Recommendations

Following are the significant audit observations and recommendations:

1. Existence, valuation, and accuracy of the Property, Plant and Equipment (PPE) accounts with a net book value of ₱35,864,862.95 were not validated due to non-submission of the duly reconciled Report of the Physical Count of PPE.

We recommended that Management:

- Require the Accounting Unit to prepare and regularly update its ledger cards and reconcile them with the control account in the general ledger;
 - Require the Property and Accounting Units to reconcile their records to arrive at a more accurate and reliable PPE account balance;
 - Immediately verify and adjust any discrepancy noted during the conduct of inventory.
2. Seventy-nine disbursement vouchers totaling ₱7,866,294.28 were processed and paid without the required Official Receipt as evidence of payment for disbursements, thereby, resulting in the non-determination of the correct taxes paid and remitted to the government.

We recommended that Management:

- a. Require both the Accountant and the Cashier to exercise due diligence in the processing of disbursements especially in the monitoring of required attachments/supporting documents of purchases; and
 - b. Strictly comply with the provisions of Revenue Memorandum Circular No. 2-2014 dated January 13, 2014 by requiring that Official Receipt be submitted to support the payments made.
3. Disallowances amounting to ₱2,130,772.68, remain unsettled as of December 31, 2014.

We recommended that Management notify the persons liable and persons responsible and request for the settlement of their disallowances.

4. Collection inefficiency and incomplete documentation resulted in the accumulation of long-term accounts receivable amounting to ₱7.03 million, thereby, depriving the agency of the much needed cash for its operations.

We recommended that Management:

- a. Establish claims on these receivables by working back and, if necessary, reconstruct supporting documents of valid claims like bills and statement of accounts or gather all pertinent documents to support claims;
- b. Enforce the collection of valid accounts by sending demand letters or withhold payment of money claims due the concerned employees and other persons; and
- c. Revisit/Implement policies to improve collection of receivables.

G. Status of Implementation of Prior Years' Audit Recommendations

Status of Implementation	Audit Reports for		Total
	CY 2013	CY 2012 & PYs	
Fully Implemented	1	2	3
Partially Implemented	7	16	23
Not Implemented	0	5	5
Totals	8	23	31

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PART I

AUDITED FINANCIAL STATEMENTS



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, 2014, 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 International 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 International 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.

Bases for Qualified Opinion

1. Existence, valuation, and accuracy of the Property, Plant and Equipment (PPE) accounts with a net book value of ₱35,864,862.95 were not validated due to non-submission of the duly reconciled Report of the Physical Count of PPE, thus, casting doubt on the reliability and accuracy of said accounts which comprise 18.79 percent of the total assets as of December 31, 2014.
2. Seventy-nine disbursement vouchers totaling ₱7,866,294.28 were processed and paid without the required Official Receipt as evidence of payment for disbursements contrary to the provisions of Revenue Memorandum Circular No. 2-2014 dated January 13, 2014, thereby, resulting in the non-determination of the correct taxes paid and remitted to the government.
3. Disbursement vouchers totaling ₱337,467.97 were processed and paid without supporting documents, contrary to the provisions of Sections 4 and 61 of the Government Auditing Code of the Philippines (PD 1445) dated June 11, 1978, thereby, regularity of said disbursements could not be determined.

Qualified Opinion

In our opinion, except for the effects of the matters described in the Bases 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, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

COMMISSION ON AUDIT

BY:


ROBERTO G. PADILLA
OIC – Supervising Auditor

March 30, 2015

JHMC


JOHN HAY MANAGEMENT CORPORATION

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, 2014**, 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



MIRIAM M. MOSUELA
Finance Manager

Signed this 10th day of March 2015

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, 2014
(With Comparative Figures for the year ended December 31, 2013)
(In Philippine Peso)

	Note	2014	2013
ASSETS			
Current Assets			
Cash and Cash Equivalents	4	76,357,175	77,151,438
Receivables	5	47,194,005	21,450,468
Inventories	6	7,075,381	7,383,578
Prepayments	7 & 8	5,907,383	3,130,794
Total Current Assets		136,533,944	109,116,278
Non-Current Assets			
Investments	9	132,000	132,000
Property, Plant and Equipment - Net	10	35,864,863	35,969,154
Accounts Receivable - Long Term, Net	11	7,030,583	10,781,213
Other Non-Current Assets	12	11,283,256	11,283,256
Total Non-Current Assets		54,310,702	58,165,623
TOTAL ASSETS		190,844,646	167,281,901
LIABILITIES AND EQUITY			
Current Liabilities			
Payable Accounts	13	27,149,925	21,495,220
Inter-agency Payables	14	5,926,345	2,289,857
Intra-agency Payables	15	17,461,084	10,825,320
Other Liability Accounts	16	915,201	703,976
Total Current Liabilities		51,452,555	35,314,373
Non-Current Liabilities			
Deferred Credits	17	1,169,458	1,116,608
Deposit for Future Stock Subscriptions:			
Balance at Beginning of Year		263,814,079	259,127,331
Additional Equity		-	4,686,748
Balance at Year-end		263,814,079	263,814,079
TOTAL NON-CURRENT LIABILITIES		264,983,537	264,930,687
TOTAL LIABILITIES		316,436,092	₱ 300,245,060
EQUITY		(125,591,446)	(132,963,159)
TOTAL LIABILITIES AND EQUITY		190,844,646	167,281,901

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, 2014
(With Comparative Figures for the year ended December 31, 2013)
(In Philippine Peso)

	Note	2014	2013
REVENUES			
Rent Income	19	15,999,642	-
Estate Management Fee	20	51,882,219	68,788,457
General Income	21	-	5,331,872
Other Service Income:			
Common Usage Service Area (CUSA)	22	2,140,811	3,685,824
Other Service Income (SEZAD)	23	682,379	560,041
Miscellaneous Income	24	85,872	-
Gross Income		70,790,923	78,366,193
OPERATING EXPENSES			
Personal Services	25	26,155,288	21,407,317
Maintenance and Other Operating Expenses	26	33,300,997	53,276,890
Total Expenses		59,456,286	74,684,207
OPERATING INCOME		11,334,638	3,681,986
OTHER INCOME (EXPENSES)	27	624,660	699,000
NET PROFIT BEFORE INCOME TAX		11,959,298	4,380,986
Income Tax Expense		(4,673,921)	(1,345,104)
NET PROFIT		7,285,376	3,035,882

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, 2014
(With Comparative Figures for the year ended December 31, 2013)
(In Philippine Peso)

	Note	2014	2013
CAPITAL STOCK - P100.00 par value			
Authorized, issued and fully paid - 1,200,000 shares		120,000,000	120,000,000
DEFICIT			
Balance at beginning of year			
As previously reported		(252,963,159)	(249,182,087)
Prior Years' Adjustment - PYA	28	86,336	(6,816,954)
As restated		(252,876,822)	(255,999,041)
Net Income		7,285,376	3,035,882
Correction of prior years' errors		-	-
Balance at end of year		(245,591,446)	(252,963,159)
CAPITAL DEFICIENCY		(125,591,446)	(132,963,159)

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, 2014

(With Comparative Figures for the year ended December 31, 2013)

(In Philippine Peso)

	Note	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Inflows:			
Estate Management Fee/Subsidy from BCDA (Current)		64,562,875	68,205,291
Estate Management Fee/Subsidy from BCDA (Prior Years)		-	652,713
Land Related Cost Reimbursement		23,368,278	-
Maintenance Fee Fund from BCDA		-	4,000,000
Collection of General Income - JHMC		663,813	5,560,129
Collection of General Income - BCDA		5,334,109	-
Collection of Rental and CUSA from City Trail		-	4,187
Collection of IHG Rental		15,999,642	15,237,754
Collection of IHG CUSA		1,862,795	1,791,789
Collection of Treetop Adventure Rental		950,000	950,000
Collection of Treetop Adventure CUSA		240,000	320,000
Collection of Purchase price of Scout Barrio Lots		3,131,448	1,036,110
Collection of Refund of Overpayment from SBHP Beneficiaries		-	51,058.26
Collection of PEZA Rental		6,278,473	6,028,145
Collection of Bidders' Documents		100,500	6,500
Collection of Bidders' Security Deposit		233,520	-
Collection of Guaranty Deposits & performance Bond		148,999	43,050
Collection of Receivables - Return of OPEX		745,547	1,214,515
Collection of Receivables - Disallowances		-	114,000
Collection of Receivable - Car Plan		-	736,852
Reversal by DBP of Charges for Dormant Account		5,042	-
Cancellation of Checks		1,509,904	199,917
Interest from Bank Accounts		595,885	243,494
Total Cash Inflows		125,730,828	106,395,503
Cash Outflows:			
Payment to Suppliers/Creditors and Employees		(48,297,764)	(68,041,584)
Land Related Cost Expenses		(44,283,509)	-
Remittance of Pag-ibig/SSS/PHIC/BIR		(7,161,336)	(6,183,970)
Payment of Taxes and Duties		(1,419,958)	(449,799)
Payment of BAC Honoraria		(46,750)	(19,475)
Remittance/Charges to IHG Collections		(15,999,642)	(15,927,209)
Remittance/Charges to Treetop Adventure Collections		(950,000)	(1,107,500)
Remittance/Charges to PEZA Collections		(6,278,281)	(6,993,183)
Remittance/Charges to Scout Barrio Collections		(1,848,813)	(1,338,654)

Refund of BIR Penalties to beneficiaries of SBHP	-	(241,747)
Refund of SBHP Beneficiaries Overpayment	-	(51,058)
Refund of Guaranty/Security Deposits & Performance Bond	(123,555)	(13,000)
Refund of Bidders' Documents/Customer Deposits	(33,316)	(37,250)
Bank Charges	(2,485)	(6,850)
Total Cash Outflows	(126,445,410)	(100,411,279)
Total Cash Provided(Used) by Operating Activities	(714,582)	5,984,224
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Inflows:		
Deposit for Future Sales Subscription	-	3,335,340
Collection for Capital Outlay	3,318,986	594,999
Total Cash Inflows	3,318,986	3,930,339
Cash Outflows:		
Capital Outlay	(3,318,986)	(1,349,060)
CAPEX Projects	-	(601,066)
Capital Expenditures - 2012	(108,851)	-
Total Cash Outflows	(3,427,837)	(1,950,127)
Total Cash Provided(Used) by Investing Activities	(108,851)	1,980,212
CASH PROVIDED BY OPERATING, INVESTING AND FINANCING ACTIVITIES		
	(823,433)	7,964,436
Add/(Deduct): FOREX Effect	29,169	459,001
Add: Cash and Cash Equivalents at Beginning of the Year	77,151,438	68,728,000
CASH AND CASH EQUIVALENTS AT END OF YEAR	76,357,175	77,151,438

JOHN HAY MANAGEMENT CORPORATION

A Member of the Bases Conversion and Development Authority (BCDA) Group

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2014

(With Comparative Figures for 2013)

1. CORPORATE INFORMATION

Mandate

Our mandate is to convert, develop and maintain the facilities and properties within Camp John Hay for tourism, multiple use forest watershed, commercial, industrial, residential, and human resource development center.

Mission

As the steward of Camp John Hay, John Hay Management Corporation develops the estate 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.

Vision

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

Core Values

Stewardship, Passion for the Environment, Integrity, Commitment, Excellence

Republic Act No. 7227 (RA 7227) or the Bases Conversion and Development Authority Act (BCDA) Act of 1992 was enacted a year after the former American military base in Camp John Hay was formally turned over to the Philippine Government. This Act gave full authority to BCDA to facilitate the sound and balanced conversion of the former US military bases and their extensions for the productive use of the Filipino people.

For this purpose, BCDA was directed to create subsidiary corporations as their implementing arm over said bases, thus John Hay Poro Point Development Corporation (JPDC) was created to administer and manage Camp John Hay in the City of Baguio and Poro Point or the former Wallace Air Station in San Fernando, La Union.

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On October 3, 2002, Executive Order No. 132 was issued separating JPDC into two subsidiaries named as John Hay Management Corporation (JHMC) and Poro Point Management Corporation (PPMC). JHMC was designated as the administrator of the 625-hectare Camp John Hay Reservation (CJHR) comprised of the JHSEZ and the John Hay Reservation Area (JHRA). PPMC, on the other hand was designated to administer and oversee the development of the Poro Point Freeport Zone.

The JHMC instituted major reforms for good corporate governance, as it contributes to economic growth through investments and job generation in the Cordillera Administrative Region (CAR). It continues to adhere to the ideals of the Aquino administration of transparency and integrity in public service.

To develop Camp John Hay as a premiere tourism and investment destination and to enforce efficient and effective regulation and a center for human resource development, JHMC revisited its Mission, Vision and Core Values in 2013 and established its Major Final Outputs for CYs 2013 and 2014. As the stewards of more than fifty per cent (50%) of the forest cover of the City of Baguio, JHMC ensures the sustainable multiple use of the forest and forest watersheds and contributes to economic growth and job generation in our country.

The JHMC signed its Performance Agreement with the Governance Commission for Government Owned or Controlled Corporations (GOCC) in 2013 and has implemented the prescribed Interim Performance Evaluation System (PES) for all GOCCs.

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. There has been a consistent increase in the number of business enterprises in the JHSEZ, resulting in an increase in the jobs and revenue generated. In 2014, a remarkable increase of 20% or 4,173 employees inside the JHSEZ has been recorded by our Labor Center. In the BPO sector, employment increased from 1,746 to 2,450, a remarkable increase of 37%. Ayala Technohub increased its locators by 13%, from 30 locators in 2013 to 34 last year.

Among the main tourist attractions in Camp John Hay include the Historical Core, a living museum of the Philippine-American heritage of the Cordillera. It features the historic 100-year old Bell House and Bell Amphitheater; the picturesque History Trail, a two-kilometer path which cuts through a lush pine forest; the Cemetery of Negativism, which is believed to serve as a burial ground for negative thoughts and the Ayala Techno-Hub, with its BPO facilities and retail establishments.

The One-Stop Action Center (OSAC) /Special Economic Zone Administration Department was further enhanced in year 2014 by shortening the processing time, to less than thirty (30) minutes, for the issuances of regulatory permits in the zone.

The Citizen's Charter, a comprehensive and detailed guide on our frontline services and process flows, was established in November 2012 to streamline procedures, reduce bureaucratic red tape, and deter graft and corruption in the management of Camp John Hay. JHMC has likewise consistently abided with the Transparency Seal as mandated by the Department of Budget and Management. The JHMC continues to promote an investor-friendly business climate in the JHSEZ through good corporate governance, in line with the Aquino administration's thrust of "*Daang Matuwid*" in government service.

The JHMC continues to develop its human resources through seminars and training programs, as it inculcates in its workforce a great sense of professionalism, integrity and transparency in the delivery of public service.

The JHMC prides itself for complying with, and strictly enforcing the Philippine Environment and Forestry Standards, Laws, Rules and Regulations in the Camp. It regularly and actively participates in the conduct of quarterly monitoring activities in the areas of Solid/Toxic Waste Management, Air and Water Quality Management, and Forest and Watershed Management. The Environmental Management Bureau – CAR has reported Camp John Hay to be within the "GOOD" air quality index by consistently surpassing the National Ambient Air Quality Standards in Particulate Matter 10 (PM 10).

JHMC has been supportive of the National Greening Program in response to mitigating the impacts of climate change. Specifically, this is accomplished through the conduct of tree planting and maintenance activities within the John Hay Reservation Area, which accomplishments have already been surveyed/geo-tagged by DENR-CAR NGP personnel. For the CY 2014, JHMC has planted a total of 11,343 of assorted tree seedlings. Also, Assisted Natural Regeneration (ANR) activities have also been undertaken within the natural pine forest and watershed areas.

Further, as part of good forest management, the 100% Tree Inventory/Tree Counting Project has been completed covering the 268 hectares of the John Hay Reservation Area. Likewise, a total of 94,284 seedlings, saplings and trees were counted/marked. In line with its mandate for a sustainable forest management, the procured consultancy services on the prevention and/or control of Benguet Pine forest pest infestation/infection has submitted their report and has identified the causative agents infesting and infecting Benguet pine trees within Camp John Hay. Three (3) diseased trees were identified which have been scheduled for "Tree Surgery" activity in January 2015. The report reflects several recommendations on how to manage and control the pest infestation / infection.

The Asset Disposition Program for business development was established in order to determine the best use of government land and generate revenue. JHMC conducted appraisals of fair rental values of land assets of the BCDA, and created the Asset Disposition Program Committee for the conduct of bidding of land asset development projects in Camp John Hay.

Among the major challenges of JHMC are its efforts toward the resolution of the non- payment of the Camp John Hay Development Corporation (CJHDevco) of its lease rental for the 247 hectares of prime land in the JHSEZ, which amounted to about PHP 3.4 Billion as of 31 December 2014. JHMC played a major role in the arbitration case between BCDA and CJH

DevCo. The officers of JHMC and the BCDA took the stand as principal witnesses of the government and held their own admirably against the unrelenting cross examination of the seasoned lawyers of CJH Devco.

The Barangay Segregation Program was established by the John Hay Management Corporation (JHMC) to evaluate the legitimacy of structure owners occupying parcel of BCDA land within the John Hay Reservation Area (JHRA). Structure owners who are listed in 1991 DENR census, 2001 National Housing Authority (NHA) tagging and the 2013 JHMC Structure Survey from barangays Hillside, Country Club Village, Lucnab, Outlook Drive, Sta. Escolastica, Greenwater, Upper Dagsian, Happy Hallow, Loakan Liwanag, Loakan Apugan, Loakan Proper and Camp 7 would be the beneficiaries of this program.

A Major accomplishment of JHMC in 2014 is the approval of the Beneficiary Selection Criteria and validation of structure owners at Barangay Hillside, Baguio City. A subdivision survey of the residential clusters within Barangay Hillside has been submitted to the Land Registration Authority (LRA) for approval.

As part of JHMC's Corporate Social Responsibility, it supports the education sector through the assistance it provides the Department of Education (DepEd) in the development of its road map for infrastructure projects in the JHRA schools. JHMC further supported the establishment of four (4) learning facilities in the JHRA specifically Brgy. Loakan- Liwanag, Loakan- Apugan, Happy Hallow and Sta. Escolastica Village, and two (2) recreational libraries in the Cordillera Region. The promotion of learning- related programs addresses the gaps identified in the Gender Disaggregated Data conducted from February to August 2013 that extends to promotion of JHMC's Historical Core as reading center among out-of-school and students alike.

To do its share in the administration's gender and development initiative, JHMC has strived to promote the significant role of women in advancing national development. JHMC participated in various women empowerment seminars to create opportunities for enabling values among JHMC's women employees.

Finally, as JHMC adopted the policy of inclusive growth in 2014 community intervention were focused on to the community we serve.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The accompanying financial statements of JHMC have been prepared on the historical cost basis. The financial statements are presented in the Philippine Pesos, which is the company's functional and reporting currency. All amount are rounded to the nearest Philippine peso, except when otherwise indicated.

Statement of Compliance

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the Philippines as set forth in Philippine Financial Reporting Standards (PFRS).

PFRSs, which were issued by the Financial Reporting Standard Council, consist of:

- a. PFRSs – correspond to International Financial Reporting Standards;
- b. Philippine Accounting Standards (PASs) – correspond to Interpretations of International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC) of the International Accounting Standards Board (IASB); these also include Interpretations developed by the Philippine Interpretations Committee (PIC).

From its inception to CY 2012, JHMC applied the NGAS Standard Chart of Accounts codes in recording journal entries. In 2013, the Financial Management Services Department (FMSD) of BCDA, through Accounting Memo No. AF-AM-2013-012 dated March 6, 2013, prescribed a new Standard Chart of Accounts codes for all its subsidiaries to facilitate the consolidation of financial reports of all BCDA subsidiaries, which is based on the International Financial Reporting Standards (IFRS) on home-office accounting.

Accounting Policies Adopted

The following accounting standards, amendments, and interpretations to existing standards that have been published by the International Accounting Standards Board (IASB) and adopted by the FRSC which became effective for accounting periods beginning on or after January 1, 2006 were adopted by the Company:

PAS 1	First-time Adoption of Philippine Financial Reporting Standards
PAS 2	Inventories
PAS 7	Cash Flow Statements
PAS 8	Accounting Policies, Changes in Accounting Estimates, and Errors
PAS 10	Events After the Balance Sheet Date
PAS 12	Income Taxes
PAS 16	Property, Plant and Equipment
PAS 17	Leases
PAS 18	Revenue
PAS 19	Employee's Benefits
PAS 24	Related Party Disclosures
PAS 32	Financial Instruments: Disclosures and Presentation
PAS 36	Impairment of Assets
PAS 37	Provisions, Contingent Liabilities and Contingent Assets
PAS 39	Financial Instruments: Recognition and Measurement

These new standards, amendments and interpretations prescribe new accounting measurement and disclosure requirements applicable to the Company. When applicable, the adoption of the new standards was made in accordance with the transitional provisions of the

standards, otherwise the adoption of the new standards is accounted for as change in accounting policy under PAS 8: "Accounting Policies, Changes in Accounting Estimates and Errors". The effects of these new standard, amendments and interpretations on the Company's accounting policies and on the amounts disclosed in the financial statements are summarized as follows:

PAS 1, "Presentation of Financial Statements," the revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owners changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognized income and expense, either in one single statement, or in two linked statements

PAS 2, "Inventories," limits the alternatives for measurement of inventories. Inventories are measured at the lower of cost or net realizable value. The use of the Last in, first out (LIFO) formula to measure the cost of inventories is no longer acceptable.

PAS 7, "Cash Flow Statements," requires the provision of information about the historical changes in cash and cash equivalents of an entity by means of a cash flow statement which classifies cash flows during the period from operating, investing and financing activities.

PAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors," eliminates the concept of fundamental error and the allowed alternative to retrospective application of voluntary changes in accounting policies and retrospective restatement to correct prior period errors. The standard defines material omissions and misstatements and describes how to apply the concept of materiality when applying accounting policies and correcting errors.

PAS 10, "Events after the Balance Sheet Date," clarifies that dividends declared after balance sheet date are not to be recognized as a liability at the balance sheet date.

PAS 12, "Income taxes," the objective of the standard is to prescribe the accounting treatment for income taxes.

PAS 16, "Property, Plant and Equipment," prescribes the accounting treatment for property, plant and equipment and related disclosure requirements. The Standard contains a limited revision to provide additional guidance and clarification on recognition and measurement of items of property, plant and equipment. It provides guidance on initial and subsequent recognition as well as measurement after recognition. It requires depreciation for each significant part of an item of property, plant and equipment. The standard also provides guidance on the determination of the carrying amount of the assets, the residual value, and depreciation period and derecognition principles to be observed.

PAS 17, "Leases," provides limited revision to clarify the classification of a lease of land and buildings and prohibits expensing of initial direct costs in the financial statements of lessors.

PAS 18, "Revenue", provides additional guidelines as to the timely recognition of revenue, which is measured at the fair value of the consideration received or receivable.

PAS 19, "Employee Benefits", applies to all employee benefits offered by an employer to employees and their dependents and beneficiaries. This standard applies to employee benefits under: (i) formal plans and agreements between an enterprise and its employees, (ii) national, local, industry or multi-employer plans; and informal practices giving rise to a constructive obligation. This standard also identifies the following categories of employee benefits such as short-term employee benefits, post-employment benefits, other long-term employee benefits and termination benefits.

PAS 24, "Related Party Disclosures," provides additional guidance and clarity in the scope of the Standard, the definitions and the disclosures for related parties. It requires disclosure of the compensation of key management personnel.

PAS 32, "Financial Instruments: Disclosures and Presentation", which prescribes the requirements for the presentation of financial instruments and identifies the information that should be disclosed about them. The presentation requirements apply to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments; the classification of related interest, dividends, losses and gains; and the circumstances in which financial assets and financial liabilities should be offset. The standard requires disclosure of information about factors that affect the amount, timing and certainty of an entity's future cash flows relating to financial instruments and the accounting policies applied to those instruments.

This standard also requires disclosure of information about the nature and extent of an entity's use of financial instruments, the business purposes they serve, the risks associated with them, and management policies for controlling those risks.

PAS 36 (Revised 2004), "Impairment of Assets", prescribes the procedures that an entity applies to ensure that its assets are carried at no more than their recoverable amount if its carrying amount exceeds the amount to be recovered through use or sale of the asset. If this is the case, the asset is described to be impaired and the standard requires the entity to recognize an impairment loss. The standard also specifies when an entity should reverse an impairment loss previously recognized. The revised standard clarifies the elements that should be reflected in the calculation of an asset's value in use. PAS 36 prescribes the frequency of impairment testing for intangible assets.

PAS 37, "Provisions, Contingent Liabilities and Contingent Assets", ensures that appropriate recognition criteria and measurement basis are applied to provisions, contingent liabilities and contingent assets and that sufficient information is disclosed in the notes to financial statements to enable users to understand their nature, timing and amount.

PAS 39, "Financial Instruments: Recognition and Measurement", which prescribes the principles for recognizing, measuring, and disclosing information about financial assets and financial liabilities. PAS 39 supplements the disclosure provision of PAS 32, Financial Instruments: Disclosures and Presentation.

The adoption of the above standards, amendments and interpretations, upon which the Company has opted to adopt, did not have any significant effect on the Company's financial statements. These, however, require additional disclosures on the Company's financial statements.

Cash and Cash Equivalents

Cash includes Petty cash fund, Cash-on-Hand and in-Banks. Cash in bank in savings accounts earn interest at the respective bank deposit rates and these are deposits held at call with banks. Petty cash and technical funds are intended as working funds for a small amount of expenses such as periodicals, reproduction cost, transportation, etc. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of placement.

The Petty Cash Fund is being maintained under the Imprest System.

Foreign Currency deposits are revalued at the exchange rate prescribed by the Bangko Sentral ng Pilipinas (BSP) as of Balance Sheet date.

Receivables

Receivables are carried at cost or amortized cost, less impairment in value. Gains and losses are recognized in the statement of operations when the receivables are recognized or impaired.

Inventories

Inventories are stated at cost using the Moving Average Method.

Prepayments

Prepayments include expenses already paid but not yet incurred. These are measured at amortized cost less any impairment, if any. Creditable taxes, performance bonds and security deposits are included in this category.

Input Tax

Input tax represents value added tax (VAT) paid to suppliers that can be claimed as credit against the Company's VAT liabilities.

Property and Equipment

Property and equipment are carried at cost, excluding the cost of day-to-day servicing, less accumulated depreciation and impairment losses, if any. Cost of an item of property and equipment comprises of its purchase price and any cost attributable in bringing the asset to its intended location and working condition. Costs also include any asset retirement obligation and interest on borrowed funds used.

Subsequent costs are capitalized as part of Property and Equipment account, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

Depreciation commences when the property and equipment are available for use and is computed on the straight line basis over the following estimated useful lives of the assets regardless of utilization. The useful life of the property and equipment is established by the Commission on Audit (COA) under COA Circular No. 2003-007 dated December 11, 2003. A residual value equivalent to ten percent (10%) of the acquisition cost/appraised value shall be deducted before dividing the same by the Estimated Useful Life.

The carrying value of property and equipment are reviewed for impairment when events or changes indicate that the carrying value may not be recovered.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. 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 statement of income and expenses in the year the asset is derecognized.

Construction in Progress

Construction in Progress is stated at cost. This consists of the actual costs to date of the unfinished project to include labor, materials and other direct costs. Construction in Progress is reclassified as an asset upon final completion and acceptance; and the depreciation thereon commences upon actual use in the operations.

Capital Stock

Capital stock is the Securities and Exchange Commission (SEC) authorized capital shares issued by the Corporation to its stockholders.

Retained Earning

Retained earnings include all current and prior period results as disclosed in the statements of operations.

Revenue and Expense Recognition

The Corporation adopts the accrual method of accounting for revenue and is recognized in the period when actually earned.

Income Tax

Income Tax expense comprises current and deferred tax. Income tax expense is recognized in the statements of income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible differences, to the extent that is probable that taxable profit will be available against which the deductible differences can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Value-added tax

Revenues, expenses and assets are recognized net of the amount of value-added tax except:

- Where the value-added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value-added tax is recognized as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of value-added tax included

Related Parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Transactions between related parties are based on terms similar to those offered to non-related parties.

Events after the Balance Sheet Date

Post year-end events that provide additional information about the company's position at the balance sheet date (adjusting entries) are reflected in the financial statements when material. Post year-end events that are not adjusting events are disclosed in the notes when material.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

3.1 Judgments

The preparation of the Company's financial statements in conformity with Financial Reporting Framework (in reference to the Generally Accepted Accounting Principles of the Philippines) requires management to make estimates and assumptions that affect the amounts reported in the Company's financial statements and accompanying notes. The estimates and assumptions used in the Company's financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the Company's financial statements. Actual results could differ from such estimates, judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.2 Estimates

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following represents a summary of the significant estimates and judgments and related impact and associated risks in the Company's financial statements.

- Allowance for Doubtful Accounts

The Company assesses whether objective evidence of impairment exist for receivables and due from related parties that are individually significant and collectively for receivables that are not individually significant. Allowance for doubtful accounts is maintained at a level considered adequate to provide for potentially uncollectible receivables.

- Impairment of Inventory

The Company recognizes impairment on inventories whenever net realizable value of inventories become lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The impairment is reviewed on a monthly basis to reflect the accurate valuation in the financial records.

- Estimated Useful Lives of Property and Equipment and Investment Property

The Company estimates the useful lives of property, plant and equipment based on the period over which the property, plant and equipment are expected to be available for use. The estimated useful lives of the property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the property, plant and equipment. In addition, the estimation of the useful lives of property, plant and equipment is based on the collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible; however, that future financial performance could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

A reduction in the estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease the non-current assets.

Depreciation is computed on the straight-line method over the estimated useful lives of the assets as follows:

Land Improvements	10-40years
Building and Other Structures	10-30 years
Office & IT Equipment	5 years
Furniture and Fixtures	10 years
Books	5 years
Machineries and Equipment	7-10 years
Land Transportation Equipment	7 years
Intangible Assets	1 year

The foregoing estimated useful lives and depreciation method are based on COA Circular No. 2003-2007 dated December 11, 2003.

- Impairment of Available-for-sale Financial Assets

The Company follows the guidance of PAS 39 in determining when an asset is other-than-temporarily impaired. This determination requires significant judgment. In making this judgment, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; the financial health of and near-term business outlook of the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If the assumption made regarding the duration, and extent to which the fair value is less than cost, the Company would suffer an additional loss in its financial statements, representing the write down of cost at its fair value.

- Impairment of Non-financial Assets

The Company assesses the value of property, plant and equipment which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, and require the Company to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Company to conclude that property, plant and equipment and other long-lived assets are impaired. Any resulting impairment loss could have a material adverse impact on the Company's financial condition and results of operations.

The preparation of the estimated future cash flows involves significant judgment and estimations. While the Company believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Company's assessment of recoverable values and may lead to future additional impairment charges.

4. CASH AND CASH EQUIVALENTS

This account consists of the following:

	CY2014	CY2013
Cash on Hand	262,542.07	190,255.28
Cash in Bank-Local Currency, Current Account	25,872,125.44	28,446,058.14
Cash in Bank-Local Currency, Time Deposits	43,771,648.60	42,117,832.69
Cash in Bank-Foreign Currency, Savings Account	46,073.76	45,220.11
Cash in Bank-Foreign Currency, Time Deposits	6,404,784.63	6,352,071.63
TOTAL	76,357,174.50	77,151,437.85

Cash in Bank - Local Currency, Current Account (LCCA) consists of the OPEX Fund, Generated Fund, and Scout Barrio Fund which earn interest at the respective bank deposit rates. It also includes IHG and Treetop Adventures rental collection funds which is a non-

interest bearing account. The above enumerated accounts are deposited at Development Bank of the Philippines (DBP).

Cash in Bank - Local Currency, Time Deposits (LCTD) refers to short term placements and is placed for varying periods to a maximum of one hundred eighty (180) days depending on the immediate cash requirement of the Corporation, and earns interest at the respective short-term placement rates. This account consists of six (6) accounts deposited at DBP and one (1) at the Land Bank of the Philippines (LBP).

The *Foreign Currency, Savings Account (FCSA)* represents dollar collections from BCDA-PEZA Lease Agreement directly deposited by PEZA to the JHMC's account at LBP. Monthly collections were regularly remitted to BCDA.

The account *Foreign Currency, Time Deposits (FCTD)* refers to dollar funds earmarked for the JHMC Retirement Fund and deposited at LBP.

Dollar depository accounts are restated at the year-end rate of Php44.617:\$1.00 for CY 2014 and Php44.414:\$1.00 for CY 2013.

5. RECEIVABLES

The account consists of the following:

	CY2014	CY2013
Accounts Receivable	392,623.51	579,660.76
Allowance for Doubtful Accounts	(14,134.87)	(20,937.69)
Inter-Agency Receivable	207,100.00	80,000.00
Intra-Agency Receivable	34,068,040.04	8,157,536.41
Other Receivables	12,355,854.14	12,469,685.69
Due from Other Funds	184,522.51	184,522.51
TOTAL	47,194,005.33	21,450,467.68

Accounts Receivable (AR) includes various receivables from clients with age of less than 1 year with an *Allowance for Doubtful Accounts* of 5% based on the approved policy on ageing of Accounts Receivable.

Inter-Agency Receivables are amounts due from the other GOCCs such Social and Security Services (SSS) for the advanced maternity benefits of JHMC employees.

Intra-Agency Receivables are amounts due from BCDA and other member of the BCDA group. Amounts that are Due from BCDA consists of unreleased Corporate Operating Budget for prior years and Land Related Costs advanced by the Corporation in behalf of BCDA for CY 2014. These are regularly billed to BCDA for reimbursement.

Other Receivables consists of *Advances to Officers and Employees* for cash advances for travelling expenses and other special purposes and *Due from Officers & Employees* which comprises of receivables from former members of the Board of Directors and separated and/or current officers and employees of JHMC for telephone charges and miscellaneous receivables that are being deducted from their respective salaries on a monthly basis. This account also consists of *Disallowances/Charges totaling PhP12,240,730.84* consist mainly of the following:

- missing properties that were included in Lease Agreement between CJHDevCo & BCDA in 1996 with net book value of PhP2,793,547.50;
- disallowances for employer's share on Employees Provident Fund in the amount of PhP1,336,358.57;
- other benefits granted to personnel of JPDC in the amount of PhP1,125,751.05;
- other benefits granted to previous employees of JHMC in the amount of PhP235,000.00;
- benefits granted to previous BODs in the amount of PhP572,000.00;
- Notices of Final Disallowances for CY2012 in the amount of 1,395,151.61 is recorded for the disallowed benefits of the Board of Directors and Office of the Government Corporate Counsel (OGCC) lawyers covering the CYs 1996 to 2001.
- under collection of the redemption book value of car plan on March 1997 from previous directors in the amount of PhP 186,291.77; and
- Grant of Life and Health Insurance benefits to the employees of JHMC for the period 1997 to 2004 amounting to PhP 4,043,733.64.

Due from Other Funds consists of funds for transfer from other bank accounts such as the Provident Fund or this account is also used as temporary account for erroneous deposits.

6. INVENTORIES

This account consists of the following:

	CY2014	CY2013
Office Supplies Inventory	1,022,260.21	1,277,853.79
Other Supplies Inventory	187,070.52	239,674.15
Construction Materials Inventory	5,866,050.09	5,866,050.09
TOTAL	7,075,380.82	7,383,578.03

Office and Other Supplies Inventory consists of consumable items used in the daily operations of the corporation.

Construction Materials Inventory consists of unused steel fences for the perimeter fencing of Camp John Hay. The perimeter fencing project of the camp was discontinued due to the opposition of affected residents. After proper approvals are secured, the remaining half of the remaining inventory of steel fences shall be used in 2015 for the perimeter fence of the area leased to PEZA-MOOG Controls. Costing for each part of fence set is to be established for allocation to various infrastructure projects under construction.

7. PREPAYMENTS

This account consists of the following:

	CY2014	CY2013
Prepaid Insurance	52,904.59	82,306.69
Guaranty Deposits	2,769,706.43	836,724.85
Other prepayments and deposits	45,968.31	77,224.50
Input tax - Goods	826,853.25	629,780.96
Input tax - Services	2,211,950.90	1,504,757.50
TOTAL	5,907,383.48	3,130,794.50

Prepaid Insurance consists of unexpired portions of the fire and earthquake insurance premiums of the Bell House and JHMC cottages, and motor vehicle insurance premium.

Guaranty Deposits (see Note 7)

Other Prepayments and Deposits consist of subscription to JHMC official website for one year and amortized over the covered period.

Input Tax for Goods and Services are Value Added Tax (VAT) added by suppliers to their invoices paid by the corporation.

8. GUARANTY DEPOSITS

This account consists of the following deposits with:

	CY2014	CY2013
Philippine Fuji Xerox	5,390.00	5,390.00
BENECO	1,096.57	1,096.57
Feliza Ronquillo	12,216.37	12,216.37
Smart Communications	8,260.00	8,260.00
DENR-CENRO	14,750.00	7,250.00
National Labor Relations Commission	2,727,993.49	802,511.91
TOTAL	2,769,706.43	836,724.85

A deposit equivalent to two-month rental was made to Ms. Feliza Ronquillo for the lease of her property which is being used by the forest rangers as outpost.

The amount due from DENRO-CENRO are performance bonds for cutting trees.

Deposits made to the National Labor Relations Commission (NLRC) are appeal/cash bonds pending the resolution of various labor cases filed against the JHMC. Two of these labor cases have already been resolved in favor of JHMC on appeal and as such, JHMC shall file for the withdrawal of their corresponding appeal/cash bonds.

9. INVESTMENTS

This account consists of 6,600 shares with PhP1.00 par value Common Stock with Pilipino Telephone Company (PILTEL). On 7 May 2010, PILTEL was renamed PLDT Communications and Energy Ventures, Inc. New stock certificates in the name of JHMC were reissued in August 2011.

10. PROPERTY, PLANT AND EQUIPMENT (PPE)

PPE records are already in place and actual physical count of existing properties was also conducted for CY 2014. Concise and accurate records for each Property Ledger Card and Property Card are being fully implemented and prior year's reconciliation of the PPE account between the Property Unit and Accounting Unit is on-going with 60% accomplishment.

Office Building Accounts is inclusive of the building currently being leased out to IHG in the amount of PhP 15.349 million. The earnings from this lease are directly remitted to BCDA but recorded as Rent Income and deducted consequently from the released Estate Management Fee from BCDA

Land Transport Equipment includes the company vehicles designated for official purposes and those assigned to the Corporation's President and Chief Executive Officer and the Vice President and Chief Operations Officer.

Construction-in-Progress includes the labor and materials used for the extension of Carport and all previously recorded expenses for the project is still for consolidation. This also includes materials, labor and overhead expenses for CAPEX projects such as construction and improvement of pathways, installation of canopy framing leading to cottages, improvement of outdoor dining areas, and upgrade of Bell House and its library archive. These will be reclassified as an Other Structures account upon proper documentation and reconciliation with the Budget Unit.

	Land and Other Improvements	Building and Other Structures	Office Equipment	Land Transport Equipment	Other Machinery and Equipment	Furnitures and Fixtures	Books	Intangible Assets	Construction in Progress	Total
At December 31, 2013										
Cost	1,343,540.71	39,184,843.04	11,243,501.01	13,714,972.68	4,320,732.59	4,825,266.61	11,294.00	1,268,071.72	1,723,985.47	77,636,207.83
Accumulated depreciation	-	(17,136,416.67)	(7,901,921.70)	(8,844,040.87)	(3,156,870.07)	(4,085,595.13)	(94.26)	(1,003,821.73)	-	(42,128,760.43)
Net carrying amount	1,343,540.71	22,048,426.37	3,341,579.31	4,870,931.81	1,163,862.52	739,671.48	11,199.74	264,249.99	1,723,985.47	35,507,447.40
At December 31, 2014										
Cost:										
January 1, 2014	1,343,540.71	39,184,843.04	11,243,501.01	13,714,972.68	4,320,732.59	4,825,266.61	11,294.00	1,268,071.72	1,723,985.47	77,636,207.83
Reclassification	1,373,384.26	(1,373,384.26)	(282,871.92)	-	-	(206,327.00)	-	489,198.92	-	-
Additions/Adjustments	-	-	388,247.33	3,434,537.40	(318,533.50)	115,033.78	-	(767,129.22)	177,661.60	3,029,817.39
	2,716,924.97	37,811,458.78	11,348,876.42	17,149,510.08	4,002,199.09	4,733,973.39	11,294.00	990,141.42	1,901,647.07	80,666,025.22
Accumulated depreciation:										
January 1, 2014	-	(17,136,416.67)	(7,901,921.70)	(8,844,040.87)	(3,156,870.07)	(4,085,595.13)	(94.26)	(1,003,821.73)	-	(42,128,760.43)
Reclassification/ Adjustment	(215,134.21)	215,134.21	399,952.86	(618,035.40)	318,533.50	172,347.72	-	377,139.26	-	649,937.94
Provision	(120,573.84)	(1,353,896.64)	(840,589.55)	(395,833.27)	(123,059.57)	(220,514.66)	(2,033.00)	(265,839.25)	-	(3,322,339.78)
	(335,708.05)	(18,275,179.10)	(8,342,558.39)	(9,857,909.54)	(2,961,396.14)	(4,133,762.07)	(2,127.26)	(892,521.72)	-	(44,801,162.27)
Net carrying amount	2,381,216.92	19,536,279.68	3,006,318.03	7,291,600.54	1,040,802.95	600,211.32	9,166.74	97,619.70	1,901,647.07	35,864,862.95

Five (5) of the Land Transport Equipment are due for disposition in CY 2015.

11. ACCOUNTS RECEIVABLE – LONG TERM

This account consists of receivables that are due for more than one year in the amount of PhP16,032,993.56, with *Allowance for Doubtful Account* in the amount of PhP9,002,410.63. This includes unsettled car plans from members of the Board of Directors (BOD) designated for CY1998 and CY2007 in the amount of PhP 4,761,151.10. The reconciliation of these accounts and the validation of the supporting documents of the individual accounts are on-going based on available records. The Motor Vehicle Lease-Purchase Plan of JHMC provides that an officer who avails of the plan has an option to purchase the vehicle upon separation from the service at a redemption book value, provided monthly amortizations have been paid for at least one year.

This account also consists of receivables from various clients and receivables from the Camp John Hay Development Corporation (CJHDevCo) amounting to PhP 5,912,516 representing the net gain derived from the demolition of cottages and structures which were part of the leased area and payable to JHMC by CJHDevCo per Agreement dated March 25, 1998. Section 6 of the Agreement provides that “upon the completion of the above stated demolition of structures in Camp John Hay, the net gain that may be derived will pertain to the former JPDC and, in case of net loss, the CJHDevCo will solely shoulder the loss. Net gain is equivalent to the appraised value of the structure demolished less the cost of demolition.”

Other Receivables incorporated with Accounts Receivable in CY1996 substantially consists of the uncollected receivables from the use of government facilities by concessionaires, travel agencies, government entities and other corporations during the Resort Operations. Also included are accounts of establishments amounting to PhP 2,024,738, which have one hundred percent allowance for doubtful accounts since these have remained outstanding since 1996. This account also includes the tax due on the retirement benefits given to 12 retired employees amounting to ₱1,062,608 which was not withheld by the previous Finance Officers in 2003 to 2006.

The policy for setting up of allowance for doubtful accounts and the writing-off of uncollectible accounts have been approved by the JHMC Board and has been implemented in CY 2013 as follows:

Age of Accounts	% of Allow. For Bad Debts
Less than 1 year	5%
Over 1 year to 3 years	10%
Over 3 to 5 years	15%
Over 5 years to 10 years	20%
Over 10 years	100%

The validation and documentation of the accounts receivable are on-going. About PhP 7.3M or 45% of the total AR as of CY 2014 have been validated with supporting documents. The corresponding demand letters and/or notice of collection to the established ARs will be forwarded to the last known addresses of the concerned individuals/entities through the Finance Department and subject to writing-off after approval by the Board of Directors and subsequently by the Commission on Audit (COA).

12. OTHER ASSETS

This account consists of the following:

	CY2014	CY2013
Hydro - Electric Power Dam	4,390,000.00	4,390,000.00
Unserviceable Machinery and Equipment		
Furniture and Equipment	6,893,256.28	6,893,256.28
TOTAL	11,283,256.28	11,283,256.28

The *Hydro-electric Power Dam* is recorded at appraised value based on the Appraisal Report for BCDA by eValue Phils. Inc. (eVPI) dated July 3, 2004. This has been unserviceable since the BCDA took over the management of Camp John Hay in 1993. The asset forms part of the property which is the subject for a public bidding in CY 2015 (Asset Disposition Program).

The disposal of the *Other Unserviceable PPEs* are on-going starting 4th quarter 2014 and to be completed in CY2015.

13. PAYABLE ACCOUNTS

This account consists of the following:

	CY 2014	CY 2013
Accounts Payable	14,799,442.93	14,060,446.99
Accrued Expenses	12,350,482.25	7,180,408.32
Due to Officers and Employees		254,365.00
TOTAL	27,149,925.18	21,495,220.31

Accounts Payable consists of the following:

- unreleased checks as of December 31, 2014 totaling PhP6,243,996.58;
- PhP4,142,151.08 for utilities i.e. electricity, water, garbage and telephone charges payable to CJHDevCo accumulated from the year 2000 till 2007; and
- payables to PBAAlberto Surveying in the amount of PhP120,000.00 for the survey of the unleased areas of Camp John Hay which remains unpaid to date.

To date, the payable accounts are being adjusted and reclassified according to the available documents to cross-check the validity and existence of each account. The Records Management Section is in the process of detailing (inventory) all documents found at the Bell House storage basement and other storage areas.

JHMC has long discontinued the practice of setting up AP with inadequate or no documentation.

Accrued Expenses pertain to the expenses incurred in 2014 but remain unpaid at year end. Included are the unpaid security services, telephone charges, subscriptions, electricity, travelling costs, supplies, gasoline and travelling expenses by employees and Board of Directors. Unpaid separation pays, excluding last pay and terminal leave benefits, due to non- submission of clearances by employees who have availed of the Separation Incentive Package (SIP) offered in 2008 forms part of this account.

14. INTER-AGENCY PAYABLES

This account consists of the following:

	CY2014	CY2013
Due to BIR	5,656,412.22	2,038,170.16
Payroll Deductions-Government Remittances	269,932.92	251,686.29
TOTAL	5,926,345.14	2,289,856.45

Due to BIR consists of withheld taxes for December 2014 disbursements and CY2014 provision for income tax in the amount of PhP 4,635,774.59.

Payroll Deductions-Government Remittances are deductions from salaries of JHMC employees to be remitted to PAG-IBIG, SSS and PhilHealth.

15. INTRA-AGENCY PAYABLES

This account consists of the following:

	CY2014	CY2013
Due to BCDA	4,366,561.72	4,893,356.96
Due to BCDA - Revenue Collection	7,162,559.01	-
Due to BCDA - Other Funds	4,000,000.00	4,000,000.00
Due to Other Funds	1,931,962.98	1,931,962.98
TOTAL	17,461,083.71	10,825,319.94

Due to BCDA account consists of CAPEX funds received for prior years and also includes lease rentals from Asian Institute Management (AIM) for 1997.

Due to BCDA- Revenue Collection account consists mainly of rental fees collected from the Intercontinental Hotels Group (IHG), Treetop Adventure and the PEZA. The Scout Barrio Housing Project (SBHP) collections received on behalf of BCDA for the fourth quarter of 2014 are also included in this account. The collections under this account are regularly remitted to BCDA every 5th day of the following month, and is in accordance to the prescribed schedule of remittance.

The Revenue Collection also consists of CY2014 generated income from the Special Economic Zone (SEZ) collected and billed which are due for remittance to BCDA. This is based on the Performance Agreement (PA) agreed between BCDA and JHMC and was implemented starting CY2014.

Due to BCDA – Other Funds is the fund released by BCDA on May 2013 to finance the ground maintenance of Phase 1 & 2 of the JHSEZ.

Breakdown of the *Due to Other Funds* is as follows:

	CY2014	CY2013
Scout Barrio Fund	49,667.35	49,667.35
Adopt a Tree	390,818.93	390,818.93
BID Fees	(5,000.00)	(5,000.00)
Disallowances/Charges	556,742.90	556,742.90
Provident Fund	702,557.35	702,557.35
Transfer of Funds (Generated & OPEX Funds)	125,939.95	125,939.95
Sale of Disposed Assets Booked by BCDA	111,236.50	111,236.50
TOTAL	1,931,962.98	1,931,962.98

Due to Other Funds-Scout Barrio Fund represents collections made by JHMC in behalf of BCDA from the bonafide lot awardees of Barangay Scout Barrio. The penalties due to BIR and paid by the awardees are also lumped in this account. Most of these claims were already refunded in CY2013.

Due to Other Funds-Adopt a Tree represents collections from sponsors who have committed to provide funds for the preservation of a particular century trees within the reservation.

Disallowances/Charges are those amounts deducted from claims of Separation Incentive Package (SIP) and amounts paid in cash by employees chargeable to their disallowances with no finality of decision yet. Reconciliation will be made, to off-set these collections, in the list of payees for the recently issued NFD for the Grant of Life and Health Insurance benefits to the JHMC employees for the period 1997 to 2004.

16. OTHER LIABILITY ACCOUNTS

This account consists of the following:

	CY 2014	CY 2013
Due to Officers and Employees	192,680.21	-
Guaranty Deposits Payable	37,450.00	245,261.94
Performance Bond Payable	345,700.00	319,343.51
Other Payables	139,370.89	139,370.89
TOTAL	915,201.10	703,976.34

Due to Officers and Employees account consists mainly of collection of Bid Documents, expenses of employees in excess of their cash advances, tax refunds and accruals of salaries and allowances.

Guaranty Deposits Payable consists of the security deposit paid by AIM in 2007 amounting to Php 200,000.00 and retention fee of contractors.

Performance Bond Payable consists of the bid security deposits and performance bonds of various suppliers and locators.

Other Payables pertains mainly to the personal bond deducted from employee's retirement pay to cover for whatever liability the retired employee owes JHMC.

17. OTHER DEFERRED CREDITS

This account consists of the following:

	CY2014	CY2013
Deferred Income Tax	1,062,608.22	1,062,608.22
Bell Amphitheatre Rentals - Advances	106,850.00	54,000.00
TOTAL	1,169,458.22	1,116,608.22

Deferred Income Tax pertains to the estimated tax liabilities arising from release of retirement benefits of resigned or retired employees for the period 2003 to 2006. The previous Finance Officers neglected to withhold taxes due. Collection letters were sent in August 2006 and no response has been received to date.

18. DEPOSIT FOR FUTURE STOCKS SUBSCRIPTIONS

This account represents the BCDA Equity in excess of the authorized capital stock pending approval of the increase of the Authorized Capital Stock. BCDA approved an increase in the authorized capital stock from One Hundred Twenty Million Pesos (₱120,000,000) to Eight Hundred Million Pesos (₱800,000,000) on December 9, 2004.

JHMC has an extended Memorandum of Agreement with the Office of the Government Corporate Counsel (OGCC) which includes the update of the JHMC Stock and Transfer Book (STB). The update of the STB is a requirement for the amendment of the Articles of Incorporation to effect the increase of the JHMC's Authorized Capital Stock. The STB was turned over to OGCC in 2011.

The dollar collection from the Resort Operations of Club John Hay amounting to ₱12,748,755 was treated as investment of BCDA only in 2007 pursuant to 1993 BCDA Board Resolution.

19. RENT INCOME

This represents the rent income, net of tax withheld, from SC Reservations (Phils.), Inc. received by JHMC in behalf of BCDA and subsequently remitted to BCDA in accordance with the PA. This amount is deducted from the total Estate Management Fee received by JHMC for CY2014.

20. ESTATE MANAGEMENT FEE FROM CENTRAL / HOME OFFICE

This represents the subsidy received from BCDA to finance JHMC's operations being BCDA's implementing and regulating arm, in accordance with the approved Corporate Operating Budget (COB) with a total amount of PhP 67,881,861, less rent income from SC Reservation (Phils.), Inc. of PhP 15,999,642.18.

21. GENERAL INCOME

This account consists of the following:

	CY2014	CY2013
Rent Income	-	885,293.36
Permits and Licenses	-	1,579,401.04
Other Business & Service Income	-	6,959,686.05
Miscellaneous Income	-	153,355.72
TOTAL	-	9,577,736.17

In CY 2014, the *General Income* based on the Performance Agreement (PA) between BCDA and JHMC states that all income generated from the Special Economic Zone shall be remitted to BCDA.

In CY 2013, the *Internally Generated Funds* represents cash collections from operations other than management fees to include the following:

Rent Income comes from rental fee for the Bell Amphitheater, Bell House and its interiors, Kiosk, amenities and ad space for tarpaulins.

Permits and licenses consisting of collections from the regulatory functions of JHMC within the John Hay Special Economic Zone (JHSEZ) and John Hay Reservation Area (JHRA) such as:

1. Gate Pass
2. Permit to Bring In (PBI) / Permit to Bring Out (PBO)
3. PBO-Tax Exempt Vehicle / Vehicle Stickers
4. Permit & License application fee as locator
5. Registration of Enterprise
6. Accreditation Fee / Permit to Operate (PTO)
7. Temporary Permit to Operate (TPTO)
8. Special Permit fee for local and imported critical products
9. Local Purchase Form (LPF)
10. Office of the Building Official (OBO) Permits
11. Fines and penalties charged by OBO & SEZ office
12. Clearance & Certification fee from OBO & Certificate of Environmental Compliance (CEC) from Environmental Protection Services Dept. (EPSD)
13. Inspection Fees from OBO
14. Processing fee i.e. Endorsement to BIR for tax exemption & endorsement to DENR for tree pruning/cutting

Other Business and Service Income are receipts from the Historical Core for events, sponsorships and entrance fees. The fines and penalties from OBO & EPSD, labor center ID for employees within JHSEZ and receipts from purchase coupons are also classified as other business income.

22. COMMON USAGE SERVICE AREA (CUSA)

This comprises of collection from Treetop Adventure Philippines, Inc. and SC Reservations (Phils.), Inc. as per agreed on their MOA which are intended for ground maintenance expenses within JHSEZ.

23. OTHER SERVICE INCOME

This account consists of collections from outside clients and locators for overtime services rendered by regular and probationary plantilla employees assigned at the Special Economic Zone Administrative Department (SEZAD) with rates as follows:

Particulars	Rate per Hour
<i>Weekdays</i>	
8:00 am to 5:00 pm	143.788
10:00 pm to 6:00 am	158.166
<i>Week-ends and Holidays **</i>	
8:00 am to 5:00 pm	149.539
10:00 pm to 6:00 am	164.493

**Request by locators and clients during weekends and holidays should be a minimum of 4 hours.

The overtime payment for these personnel are sourced out from this collection with the following data analysis:

Analysis of SEZAD Overtime Income vs Expenses

Total Service Income from Overtime	682,379.03
Less: Overtime expense paid to employees	<u>347,189.34</u>
Net Income	<u>335,189.69</u>

24. MISCELLANEOUS INCOME

Miscellaneous Income refers to prior year adjustment of the Input Tax which is considered expenses in CY 2013.

25. PERSONAL SERVICES

This account consists of the following:

	CY2014	CY2013
Salaries and Wages	12,630,295.70	11,541,101.28
Personnel Economic Relief Allowance	578,260.38	544,163.28
Representation Allowance	1,249,950.00	1,148,000.00
Transportation Allowance	1,121,731.99	1,009,311.54
Clothing/Uniform Allowance	200,000.00	180,000.00
Honoraria-employees	114,000.00	-
Cash Gift (DBM Circ. No. 2010-1)	252,500.00	227,000.00
13th Month Pay (Year-end Bonus) (DBM Circ. No. 2010-1)	1,110,831.31	954,843.20
Other Bonus and Allowance	245,000.00	225,000.00
Overtime	680,307.76	936,876.72
Rice Subsidy	1,060,200.00	986,400.00
Other bonuses and allowances- Productivity Incentive	1,978,788.88	1,362,000.00
Other bonuses and allowances- Performance Enhancement	249,500.00	224,000.00
Performance Based Bonus-PBB (CCGMC No. 2013-05 re-issued)	1,995,000.00	552,500.00
Life and Retirement Insurance Contributions(SSS)	618,776.50	545,891.90
Pag-ibig Contributions	57,600.00	54,975.00
PhilHealth Contributions	141,612.50	132,937.50
ECC Contributions (SSS)	14,320.00	12,762.00
Other Personnel Benefits-Vacation & Sick Leave Benefits	922,798.79	769,554.99
Other Personnel Benefits-Maternity Benefits	106,625.25	-
Business Development and Other Allowance	480,000.00	-
Overtime Services rendered by SEZAD	347,189.34	-
Total Personal Services	26,155,288.40	21,407,317.41

26. MAINTENANCE AND OPERATING EXPENSES

This account consists of the following:

	CY2014	CY2013
Office Supplies Expenses	1,755,255.52	2,362,457.35
Other Supplies Expenses	433,033.63	565,342.87
Accountable Forms Expenses	23,250.00	10,500.00
Agricultural Supplies Expense	-	-
Fuel, Oil and Lubricants Expenses	1,124,338.56	1,035,429.32
Traveling Expenses - Local	1,796,049.68	1,421,987.74
Traveling Expenses - Foreign	146,133.18	-
Training Expenses	921,575.76	598,495.20
Water Expenses	135,518.19	319,073.47
Electricity Expenses	68,580.38	134,164.52
Postage and Deliveries	20,334.74	38,718.97
Telephone Expenses	684,244.70	724,334.08
Internet Expenses	48,442.40	48,575.74
Cable Expenses	-	3,241.07
Printing Expenses	234,939.22	286,589.61
Advertising & Promotional Expense	188,574.78	1,535,248.58
Taxes, Duties and Licenses	323,906.09	407,752.77
Fidelity Bond Premiums	20,962.50	17,250.00
Insurance/reinsurance premium	117,056.64	159,792.74
Representation Expenses	1,349,081.36	1,497,832.78
Rent/Lease Expense	1,500.00	12,007.86
Membership Dues and Contributions to Organizations	-	3,650.00
Repairs and Maintenance Expenses	1,504,740.88	1,451,810.34
Legal Services	543,855.47	494,867.79
Auditing Services	1,384,110.83	746,955.26
Consultancy Services	-	2,587,760.92
Other Professional Services	568,855.72	1,544,647.72
Other Prof.-Environment/Sanitary Services	226,744.74	1,822,261.41
General Services	1,401,875.09	1,281,569.47
Janitorial Services	596,249.58	637,080.68
Security Services	1,486,361.58	22,391,836.43
Board of Directors expenses	6,551,363.57	4,446,771.22
Doubtful account expense	4,018,430.43	20,937.69
Depreciation	3,897,823.00	3,229,044.50
Amortization-intangible assets	265,839.25	551,950.01
Other Maintenance and Operating Expenses	1,144,252.00	886,951.51
Other MOOE-Corporate Social Responsibility	271,062.40	-
Other MOOE-Gender & Development	46,655.27	-
Total MOOE	33,300,997.14	53,276,889.60

Board member's benefits are broken down as follows:

	CY2014	CY2013
Training Expenses	149,812.50	-
Per diem	1,899,000.00	1,834,000.00
Representation allowance-BOD	803,150.94	713,720.37
Transportation allowance-BOD	555,977.95	390,006.30
Travel allowance-BOD	1,076,843.13	804,373.15
Communication expense-BOD	144,179.05	138,671.40
Performance Based Bonus	1,922,400.00	566,000.00
	6,551,363.57	4,446,771.22

The Board of Directors' benefits are in consonance with Executive Order (EO) 24 issued on February 10, 2011 by the Office of the President of the Philippines.

27. OTHER INCOME/(EXPENSES)

This account is broken down as follows:

	CY2014	CY2013
Interest Income	595,637.44	243,493.95
Gain/(loss) on Foreign Exchange Rate	29,159.03	459,011.19
Bank charges	(136.56)	(3,225.10)
Documentary stamp expense		(280.00)
	624,659.91	699,000.04

28. CORRECTION OF PRIOR-YEARS

This account is broken down as follows:

	CY2014	CY2013
Disallowances/Charges	-	4,230,025.41
Account payable dropped from the books	-	3,737,355.92
PPE dropped from the books	-	(12,447,160.62)
Additional allowance for doubtful accounts	-	(2,952,439.85)
Miscellaneous adjustments	86,336.19	615,265.72
	86,336.19	(6,816,953.42)

29. COMPLIANCE WITH TAX LAWS

In compliance with the requirements set forth by RR15-2010, hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year:

- a. Value-Added Tax

VAT input taxes	904,265.68
VAT output taxes	0.00
b. Documentary stamps tax	None
Total	0.00

c. Withholding Taxes

The withholding taxes paid and accrued for the year are as follows:

Tax on compensation and benefits	2,662,033.29
Creditable withholding tax	
Expanded	921,089.36
G-Vat	1,129,674.07
Fringe Benefit Tax (2013 & 2014)	225,882.25
Total	4,938,678.97

d. Other taxes and licenses are as follows:

Local	
Business Tax	none
Total	0.00
National	
BIR Annual Registration	500.00
PEZA Administrative Fee	45,000.00
Registration & Renewal of Vehicles	45,548.84
Fringe Benefit Tax	225,882.25
Other Taxes	9,975.00
Total	323,906.09

30. COMPLIANCE WITH DIVIDENDS LAW

JHMC is fully subsidized by BCDA; as such it does not realize net earnings.

31. STATUS OF PENDING LITIGATIONS

Among the numerous cases filed by and against JHMC/BCDA are the following:

	Case Title and Docket Number	Where Pending
<i>Handled by OGCC</i>		
Labor Cases:		
1	Ana Kristina T. Badon vs JHMC et. al., (NLRC-RAB-CAR-12-0487-13; NLRC LAC 10-002647-14) for: Illegal Dismissal	NLRC Fourth Division
2	Arthur Leonard B. Odsey vs JHMC (NLRC RAB-CAR-06-0224-13; NLRC LAC No 07-001730-14(8)) for: Illegal Dismissal	NLRC Third Division
3	Arthur Leonard Odsey vs JHMC, et al. (NLRC Case No. RAB-CAR 08-0168-12) for: Illegal Suspension	NLRC CAR
4	Eric Jonathan M. Picart vs JHMC, et al. (NLRC RAB-CAR-07-0163-12) for: Illegal Dismissal	NLRC CAR
5	Genevieve Ayochok vs JHMC, et al. (NLRC RAB-CAR-03-0106-13; NLRC LAC No. 09-249-19) for: Illegal Dismissal	NLRC First Division
6	Hector Hugh L. Ngales vs JHMC and Ma. Cristina Corona and Frank Daytec (CA GR SP N118919; NLRC RAB CAR 05-0225-09)	CA
7	Joseph Enver Serafico Agcaoili vs JHMC (NLRC RAB-CAR-06-0223-13; NLRC LAC No 07-001729-14) for: Illegal Dismissal	NLRC Third Division
8	Ken D. Aquilet vs JHMC (NLRC RAB-CAR-04-0138-13) for: Illegal Dismissal	NLRC Third Division
9	Kurt Cedric Salvador vs NLRC (1st Div.), et al. (CA-G.R. SP No. 116049) for: Illegal Dismissal	CA Second Division
10	Nonette C. Bennet vs JHMC, et al. (NLRC Case No. I-AC LAC-02-000351-10; CA-GR SP No 120039) for: Illegal Dismissal	CA- Philippine Mediation Center
11	Peter D. Garas vs JHMC (NLRC RAB-CAR-04-0137-13; NLRC LAC No 05-001269-14(8)) for: Illegal Dismissal	NLRC Third Division
12	Rizzel D. Pascua vs JHMC et. al., (NLRC RAB-CAR-04-0155-14; NLRC LAC 11-002785) for: Illegal Dismissal	NLRC Sixth Division
13	Ruel C. de Leon vs JHMC, et al. (NLRC RAB-CAR-11-0405-11) for: Illegal Dismissal	
Other Cases:		
14	Genevieve Ayochok vs JHMC and Jamie Eloise M. Agbayani. (NLRC RAB-CAR-03-0106-13) for: Money Claim Based on Final and Executory Court-Adjudicated Judgement	COA, Quezon City
15	In Re: Petition for Increase of Volume of Water under Permit No. 0121803; JHWSI, Petitioner (NWRB Case No. 2011-015)	NWRB
16	Application for Extension of Service, JHWSI, Applicant (NWRB Case No. 10-1471)	NWRB
17	In Re: Application for Certificate of Public Convenience (NWRB Case No. 09-1349)	CA

18	JHSI vs JHMC, et al. (Civil Case No. 7618-R) for: Injunction, et al.	RTC Branch 6, Baguio City
19	CJH DevCo vs BCDA, JHMC (Civil Case No. 7887-R) for: Indirect Contempt	RTC Branch 6, Baguio City
20	BCDA and JHMC vs City of Baguio (SCA No. 7124-R) for: Prohibition, et al	SC
21	Heirs of Walang Binay-An, et al vs BCDA et al (Case No 09-CAR-10	NCIP CAR Regional Hearing Office, LTB
22	PP vs Ronald Baliang (Crim. Case No. 21904-R) for: Qualified Theft (Webforge fence)	RTC Branch 7, Baguio City
23	PP vs Arsenio Cambe (Crim Case No. 21904-R) for: Theft	RTC Branch 7, Baguio City
<u>Handled by BCDA</u>		
24	PP vs Jeffrey B. Banton, et al. for: Unlawful Arrest and Grave Coercion. (Crim. Case No. 130024-25); PP vs Jeffrey Banton, et al. for: Malicious Mischief and Attempted Homicide. (Crim. Case No. 129255-56); PP vs. Jeffrey B. Banton, et al. for: Grave Threats. (Crim. Case No. 129254)	MTCC Branch 2
25	Ancestral Claim of Apeng Carantes (Petition No. BC-050-LJ); <i>by BCDA and JHMC</i>	NCIP Central Office
26	BCDA vs Freddie Aglasi and ten other consolidated cases (Civil Cases Nos. 5437-R to 5446-R) for: Recovery of Possession; <i>BCDA through OGCC</i>	RTC Branch 5
27	Heirs of Walang Binay-an, et al. vs BCDA, et al. (NCIP Case No; 09-CAR-10 for: Mandamus, et al.	NCIP-CAR-RHO
28	RP vs Heirs of Maximo Carantes, et al. (Civil Case No. 7266-R) for: Reversion; <i>by BCDA thru Office of the Solicitor General</i>	SC, Third Division
29	RP vs Barangay Happy Hollow, et al. (Civil Case No. 7548-R) for: Reversion and Cancellation of Title; <i>by BCDA thru Office of the Solicitor General</i>	CA
30	RP vs Sps. Kubulan, et al. (Civil Case No. 7593) for: Reversion, et al.	SC, Third Division
31	RP vs Cuilan, et al. (Civil Case No. 7590-R) for: Reversion, et al; <i>by BCDA thru Office of the Solicitor General</i>	SC, First Division
32	RP vs Heirs of Geoffrey Carantes (Civil Case No. 7591-R) for: Reversion; <i>by BCDA thru Office of the Solicitor General</i>	SC, First Division
33	RP vs Heirs of Maximino Carantes (Civil Case No. 7555-R) for: Reversion; <i>by BCDA thru Office of the Solicitor General</i>	SC
34	RP vs Sps. Andres Carantes and Josephine Carantes, et al. (Civil Case No. 7554-R) for: Reversion	SC
35	RP vs Sps. Dionisio and Angeline Damaso, et al. (Civil Case No. 7592-R) for: Reversion; <i>by BCDA thru Office of the Solicitor General</i>	SC, Second Division
36	RP vs Heirs of Barot Binay-an (Civil Case No. 7527-R) for: Reversion; <i>by BCDA thru Office of the Solicitor General</i>	SC, Third Division
37	RP vs Spouses Morie Macay and Avelina Shodang et al (Civil Case No. 7526-R) for: Reversion; <i>by BCDA thru Office of the Solicitor General</i>	SC, Third Division

38	RP vs Spouses Andres Carantes and Josephine Carantes et al (Civil Case No. 7526-R) for: Reversion; <i>by BCDA thru Office of the Solicitor General</i>	SC
39	RP vs Benguet Holy Cross (Civil Case No. 7526-R) for: Reversion; <i>by BCDA thru Office of the Solicitor General</i>	CA
<u>Handled by PUBLIC PROSECUTOR</u>		
40	PP vs Romeo Potetan (Crim. Case No. 33650-R) for: Violation of Sec. 68, P.D. No. 705	RTC Branch 5
41	PP vs Thomas Ligante (Crim. Case No. 33649-R) for: Violation of Sec. 68, P.D. No. 705	RTC Branch 5
42	Sps. Romeo and Magdalena Pagnas vs Agbayani, Bares and John Does for: Malicious Mischief and Usurpation of Authority	Office of the City Prosecutor
<u>Handled by JHMC LEGAL DEPARTMENT</u>		
43	Notice of Disallowance - ND No 2008-003 (2006-2007); JHMC vs Hon. Lynn Suerte Felipe-Sicangco	COA, Quezon City
44	COA ND No. 2013-001 re Consultancy Contract of Atty. Lyssa Pagano Calde	COA CAR
45	JHMC vs Henry Galeon, et al. (Small Claims Case No. 844)	MTCC Branch 4
46	CAR-CALC-0024 (Paulino Solano)	NCIP Central Office
47	Heirs of Pagnas Catao (Petition No. BC-01730-JL)	NCIP Central Office
48	John Bay-an vs Rose Cam-ed (Demolition Complaint No. 520-09-2010)	Anti-Squatting Committee
49	PB Lucio Bagyan vs Purificacion Carame (Demolition Complaint No. 434-06-2010)	Anti-Squatting Committee
50	DENR vs Eliza Gomez (Demolition Complaint No. 740-05-2011)	Anti-Squatting Committee
51	JHMC vs Ernesto Banes (Demolition Complaint No. 977-05-2012)	Anti-Squatting Committee
52	JHMC vs Joselito Dizon (Demolition Complaint No. 978-05-2012)	Anti-Squatting Committee
53	JHMC vs Imelda Canuto-Ramos (Demolition Complaint No. 1029-07-2012)	Anti-Squatting Committee
54	JHMC vs Teddy Carreon (Demolition Complaint No. 1074-09-2012)	Anti-Squatting Committee
55	JHMC vs Abner Bacod, et al. Demolition Complaint No. 1094-10-2012	Anti-Squatting Committee
56	Demolition Complaint against Mr. Balasiw	Anti-Squatting Committee

32. SUBSEQUENT EVENTS AFTER BALANCE SHEET DATE

On 11 February 2015, the Philippine Dispute Resolution Center Inc. (PDRCI) released its arbitral award in the case CJH Development Corporation vs. Bases Conversion and Development Authority (PDRCI Case 60-2012)

The Arbitral Tribunal, which is composed of 3 members, unanimously decided to award to BCDA the possession of the 246-hectare leased area promptly and in its entirety, including the structures built therein from the time of the Original Lease Agreement or from 19 October 1996.

Two members required the return of the PhP 1.4 Billion rental payments which CJHDevCo has paid BCDA since 1996. A third arbitrator said that it was CJHDevCo who should pay BCDA the arrears in its lease payment amounting to PhP 2.4 Billion, as it has recognized under the 2008 Restructured Memorandum of Agreement (RMOA).

BCDA shall file a petition for judicial confirmation of the award on 13 March 2015 with the Regional Trial Court (RTC) of Baguio City. The judicial confirmation and writ of execution are expected to be handed down by the RTC within thirty (30) days from BCDA's filing.

PART II

OBSERVATIONS AND RECOMMENDATIONS

Observations and Recommendations

A. Financial and Compliance

1. Seventy-nine disbursement vouchers totaling P7,866,294.28 were processed and paid without the required Official Receipt as evidence of payment for disbursements contrary to the provisions of Revenue Memorandum Circular No. 2-2014 dated January 13, 2014, thereby, resulting in the non-determination of the correct taxes paid and remitted to the government.

- 1.1 Paragraph 2 of Revenue Memorandum Circular No. 2-2014 dated January 13, 2014 provides that:

“Revenue Regulations (RR) No. 18-2012 and Revenue Memorandum Order (RMO) No. 12-2013 in relation to Sections 106, 108, 113 and other pertinent provisions of the National Internal Revenue Code (NIRC); as amended, mandate that:

1. **Sales Invoice (Cash or Charge)** shall be issued as Principal evidence in the sale of goods and/or properties;
2. **Official Receipt** shall be issued as Principal evidence in the sale of services and/or lease of properties; and
3. **Commercial Receipts/Invoices** such as delivery receipts, order slips, purchase orders, provisional receipts, acknowledgment receipts, collection receipts, credit/debit memo, job orders and other similar documents that form part of the accounting records of the taxpayer and/or issued to their customers evidencing delivery, agreement to sell or transfer of goods and services, shall be Supplementary evidence only.” (underscorings supplied)

- 1.2 The same circular provides that the provisions set forth in RR No. 18-2012 and RMO No. 12-2013, in the issuance of Principal and/or Supplementary Receipts/Invoices in the ordinary course of business and the consequent examination of evidence of receipt of payment, **shall be strictly observed.**

- 1.3 Contrary to the above provisions, we noted that in all of the 79 disbursement vouchers totaling P7,866,294.28, only Collection Receipts, which are supplementary in nature, were attached as evidence of receipt of payments instead of the required Primary evidence which is Official Receipt. As such, we could not determine the correct taxes claimed by the sellers and consequently remitted to the government.

- 1.4 **We recommended that Management:**

- a. **Require both the Accountant and the Cashier to exercise due diligence in the processing of disbursements especially in the monitoring of required**

attachments/supporting documents on purchases; and

- b. Strictly comply with the provisions of Revenue Memorandum Circular No. 2-2014 dated January 13, 2014 by requiring that Official Receipt be submitted to support the payments made.**

1.5 Management appreciated very much COA's concern for the collection by the government of the correct taxes from all payments made to the agency's creditors, hence, they assured us that they will comply with the said Revenue Regulation. For CY 2014 payments, Management will confirm from BIR whether the Acknowledgement Receipt being issued by their security agencies conform to what the law requires. As regards the other expenses, they will also ask their creditors if they could issue official receipts in lieu of the collection receipts previously issued by them.

2. Audit of Property, Plant and Equipment (PPE) accounts revealed the following deficiencies:

- a. Existence, valuation, and accuracy of the PPE accounts with a net book value of P35,864,862.95 were not validated due to non-submission of the duly reconciled Report of the Physical Count of PPE (RPCPPE), thus, casting doubt on the reliability and accuracy of said accounts which comprise 18.79 percent of the total assets as of December 31, 2014.**

a.1 COA Circular No. 80-124 dated January 18, 1980 provides that physical inventory-taking being an indispensable procedure for checking the integrity of property custodianship has to be regularly enforced.

a.2 Section III, paragraphs 4 and 5 of the same circular provide:

“Par. 4 Every officer of any government agency whose duties permit or require the possession or custody of government funds or property shall be accountable therefor and for the safekeeping thereof shall be properly bonded in accordance with law.

Par. 5 Failure on the part of the officials concerned to submit the inventory reports mentioned herein shall automatically cause the suspension of payment of their salaries until they shall have complied with the requirements pursuant to Sec. 122 of PD 1445.”

a.3 Audit of the PPE account disclosed that the property records were not regularly reconciled with those of the Accounting Unit. Moreover, the RPCPPE which was submitted by the Property Officer was not yet reconciled with the Accounting Unit.

- a.4 This is a reiteration of prior years' audit observations.
- a.5 **In order to fairly present the balances of the PPE accounts, we recommended the following courses of action to Management:**
- **Require the Accounting Unit to prepare and regularly update its ledger cards and reconcile them with the control account in the general ledger;**
 - **Require the Property and Accounting Units to reconcile their records to arrive at a more accurate and reliable PPE account balance;**
 - **During the conduct of inventory, any discrepancy noted should be immediately verified and adjusted.**
- a.6 Management has continuously been doing the reconciliation between the Accounting Unit and the Property Unit. As such, as of year-end, Management presented a 60% accomplishment of the reconciliation made by them. Management committed to finish the reconciliation before the end of CY 2015 so that this audit observation will no longer be reiterated in the succeeding audit reports.
- b. The agency's PPE amounting to ₱35,864,862.95 were not entirely covered with the GSIS General Insurance Fund and the Property Replacement Fund contrary to COA Circular No. 92-390, thereby exposing the agency to the risk of not being indemnified or compensated for any damage to, or loss of its property due to fire, or other force majeure.**
- b.1 COA Circular No. 92-390 dated November 17, 1992 was issued to assist the General Insurance Fund and the Property Replacement Fund of the Government Service Insurance System (GSIS) in determining the physical assets of the national and local government including those of government-owned and/or controlled corporations and their subsidiaries and affiliates and ensuring that all insurable assets and properties of the government are adequately covered/insured with the General Insurance fund of the GSIS.
- b.2 As of December 31, 2014, the consolidated PPE accounts of the agency valued at ₱35,864,862.95 were not entirely covered with the GSIS General Insurance Fund.
- b.3 An inquiry from the Accountant and Property Officer, as well as examination of pertinent documents, disclosed that not all of the agency's fixed assets but only a portion of it amounting to ₱14 million were covered with the GSIS General Insurance Fund contrary to COA Circular No. 92-390 dated November 17, 1992.

- b.4 Under the GSIS General Insurance Fund, contents of a building owned/rented by a government entity is insurable upon submission of requirement such as the duly accomplished Report on the Physical Count of Property, Plant and Equipment (RPCPPE).
- b.5 The failure of the Agency to cover all insurable physical assets with the GSIS General Insurance Fund would result in the possibility of non-recovery of the value of the properties in case of loss due to fire or other force majeure.
- b.6 We recommended that management insure all insurable physical assets with GSIS under the General Insurance Fund and the Property Replacement Fund pursuant to COA Circular No. 92-390.**
- b.7 Of the total fixed assets of P35.8 million, Management had already insured P24.4 million, hence, the remaining P11.4 million will be insured as soon as the reconciliation is finished. This was because part of the remaining uninsured corresponded to the unserviceable items which will eventually be dropped from the books.

3. Disbursement vouchers totaling P337,467.97 were processed and paid without supporting documents, contrary to the provisions of Sections 4 and 61 of the Government Auditing Code of the Philippines (PD 1445) dated June 11, 1978, thereby, regularity of said disbursements could not be determined.

3.1 Sections 4 and 61 of PD 1445 dated June 11, 1978 state:

'Section 4. Fundamental Principles. Financial transactions and operations of any government agency shall be governed by the fundamental principles set forth hereunder, to wit:

x x x

"(6) Claims against government funds shall be supported with complete documentation."

"Section 61. Audit of Expense Accounts. The examination of expense accounts shall be undertaken to ascertain that all expenses incurred have been duly authorized, adequately funded and documented, properly recorded; all recorded expenses have been actually incurred; and the classification of expenses are appropriate and have been consistently followed." (underscoring supplied)

3.2 In addition, COA Circular No. 2012-001 dated June 14, 2012 prescribes the revised guidelines and documentary requirements for common government transactions. Provided therein are the general requirements for all types of disbursements as well as the specific requirements for each type of disbursement.

3.3 Contrary to the above provisions, we noted that a total of 32 disbursement vouchers

amounting to ₱337,467.97 were processed and paid without the necessary supporting documents.

3.4 We recommended that Management:

- a. **Require the immediate submission to COA of the supporting documents of the 32 disbursement vouchers, as required under COA Circular No. 2012-001 dated June 14, 2012. This is to determine both the regularity and propriety of said disbursements; and**
- b. **Strictly comply with the provisions of Sections 4 and 61 of the Government Auditing Code of the Philippines (PD 1445) dated June 11, 1978, as well as COA Circular No. 2012-001 in order to avoid the incurrence of unsupported disbursements.**

3.5 Management committed to go over the disbursement vouchers without the needed supporting documents and assured us that the same would be submitted in compliance to the audit observation.

4. The agency adhered to the provisions of the Philippine Commission on Women (PCW), National Economic and Development Authority (NEDA) and Department of Budget and Management (DBM) Joint Circular No. 2012-01 and prepared the annual GAD plan and budget, thus, resulting in the implementation of the projects and activities identified to address the agency's gender issues and concerns.

- 4.1 The PCW, NEDA and DBM Joint Circular No. 2012-01 was issued to provide the guidelines for the preparation of the Annual GAD plans and budget and accomplishment report to implement the Section on programs/projects related to GAD of the General Appropriations Act.
- 4.2 Under the 2014 General Appropriations Act, agencies are tasked to formulate a GAD plan and to implement the same by utilizing at least five percent (5%) of their total budget appropriations. The GAD plan and budget is a systematically designed set of programs, projects and activities carried out by agencies to address gender issues and concerns.
- 4.3 Paragraph 2 of Item 5.1 of the same circular requires the submission of the annual GAD plans and budgets to the PCW for review and endorsement prior to the submission of the agency budget proposal. The PCW is the lead agency (1) in determining the priority GAD agenda of government including the goals and performance targets for such, (2) in the review of GAD plans and endorse the same to the DBM as part of the agency budget proposal and (3) in the submission to the President and Congress the programs/status report on gender and development.
- 4.4 The Audit Team noted that the agency prepared their GAD plan and budget for CY 2014 as required pursuant to the above-cited circular. Also, they were able to pursue their GAD objectives through their targeted activities. However, we were

informed that their GAD plan and budget for the year was approved only by the JHMC Board and not by the PCW which is a requirement under the said circular.

4.5 We recommended that Management prepare annually their GAD plan and budget and submit the same to the PCW for their review and endorsement prior to the submission of the agency budget proposal in compliance with the provisions of Joint PCW, NEDA and DBM Circular No. 2012-01 thus ensuring that the activities to be undertaken are part of the GAD priority agenda of the government.

4.6 Management noted the recommendation and committed to prepare the GAD plan and budget for the year's activities and forward the same to the PCW for approval as required under the said circular.

5. Settlement of Audit Suspensions, Disallowances and Charges (SASDC)

5.1 Records of settlement show that audit suspensions and disallowances issued in previous years have not yet been settled as of this report, viz:

Particular	Beginning Balance (Jan. 1, 2014)	Issuance This Period (Jan. – Dec.)	Settlement This Period (Jan. – Dec.)	Ending Balance (Dec. 31, 2014)
Notice of Suspension	-	-	-	-
Notice of Disallowance	₱ 2,130,772.68	₱ 0.00	₱ 0.00	₱ 2,130,772.68
Notice of Charge	-	-	-	-

5.2 We recommended and Management agreed to:

- **Notify the persons liable and persons responsible and request for the settlement of their disallowances and suspensions, respectively.**
- **Undertake constant communications with the concerned persons to reiterate the possibility of full settlement of the recorded disallowances.**

B. Value for Money Audit

6. Collection inefficiency and incomplete documentation resulted in the accumulation of long-term accounts receivable amounting to ₱7.03 million, thereby, depriving the agency of the much needed cash for its operations.

6.1 These long-term receivables included unsettled car plans from members of the Board of Directors designated for CY 1998 and CY 2007 in the amount of ₱4.7

million, the reconciliation and validation of which was on-going. This also included receivables from various clients and receivables from the Camp John Hay Development Corporation (CJHDevCo) amounting to ₱ 5.9 million representing the net gain derived from the demolition of cottages and structures which were part of the leased area and payable to JHMC by CJHDevCo per their Agreement.

- 6.2 The problem with these uncollected receivables was that Management was having a hard time gathering the necessary documents to establish their claim against the concerned persons/entities.
- 6.3 This is a reiteration of prior year's audit observation.
- 6.4 **We recommended that Management:**
 - a. **Establish claims on these receivables by working back and, if necessary, reconstruct supporting documents of valid claims like bills and statement of accounts or gather all pertinent documents to support claims;**
 - b. **Enforce the collection of valid accounts by sending demand letters or withhold payment of money claims due the concerned employees and other persons; and**
 - c. **Revisit/implement policies to improve collection of receivables.**
- 6.5 Management commented that the reconstruction of accounting records relative to these accounts was being undertaken by JHMC, as reflected in the status report to be submitted to COA. Hereunder was the updated report on the collection of these receivables:
 - a. For CY 2014, JHMC Management had implemented the approved policy on the writing-off of accounts receivables and had endeavored to validate ₱7.03 million worth or 45 percent of the total accounts receivable. Demand letters and/or Notices of Collection to the established accounts receivable had been forwarded to the last known addresses of the concerned individuals/entities through the Finance Department. The writing-off of these accounts should be recommended, subject to the approval by the JHMC Board of Directors and by the Commission on Audit, after all efforts for collection have been exhausted.
 - b. For the first two months of CY 2015, additional 15 demand letters were sent to debtors with identified addresses. Four of them replied that they had no records of JHMC's claim, hence, they were requested that they be provided with records or supporting documents of JHMC's claim.

PART III

**STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT
RECOMMENDATIONS**

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 31 prior years' audit recommendations, 3 were fully implemented, 23 were partially implemented, and 5 were not implemented as detailed below:

Observations and Recommendations	Ref.	Management Action	Status of Implementation
<p>1. Property and equipment (PE) account was overstated as it included office building with net book value of ₱15.349 million belonging to BCDA. As such, depreciation expense of ₱3.711 million for the year was overstated and the reported net profit of ₱3.036 million was understated, both by the amount of ₱0.739 million.</p> <p>Recommendation:</p> <p>We recommended that Management coordinate with BCDA and adjust its books to take up the reversion of the office building amounting to ₱22.168 million to BCDA.</p>	<p>2013 AAR, page 25</p>	<p>Coordination with BCDA for the reversion of the account in its books is on-going.</p>	<p>Partially Implemented</p>
<p>2. The accuracy of Property and equipment (PE) at net book value of ₱10.391 million could not be ascertained due to the failure to update PE ledger cards and reconcile the same with property cards.</p> <p>Recommendation:</p> <p>We recommended that Management institute policies/guidelines in safeguarding PE including</p>	<p>2013 AAR, page 25</p>	<p>Management has continuously been doing the</p>	<p>Partially Implemented</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation
the regular reconciliation of the PE account between the FD and GSD.		reconciliation. As of year-end, reconciliation is 60% complete.	
<p>3. Unserviceable property and equipment totaling ₱11.283 million remained undisposed as of December 31, 2013, occupying space which could have been used by JHMC for other useful purposes and the proceeds from sale of which could have augmented Management resources that could have been available for worthwhile undertakings.</p> <p>Recommendation:</p> <p>We recommended that Management conduct the disposal of the unserviceable property and equipment, in accordance with Section 79 of the Government Auditing Code of the Philippines (P.D. 1445) which provides that when government property has become unserviceable, it may be destroyed, or if found to be valuable, it may be sold at public auction to the highest bidder.</p>	2013 AAR, page 26	Management has continuously been doing the reconciliation. As of year-end, reconciliation is 60% complete.	Partially Implemented
<p>4. Collection inefficiency and incomplete documentation resulted in the accumulation of long-term accounts receivable (net) to ₱10.781 million.</p> <p>Recommendations:</p> <p>We recommended that</p>	2013 AAR, page 27		

Observations and Recommendations	Ref.	Management Action	Status of Implementation
<p>Management:</p> <p>a. Establish claims on long-term accounts receivable by working back, and, if necessary, reconstruct supporting documents of valid claims like bills and statement of accounts;</p> <p>b. Provide allowance for doubtful accounts and request for write-off of uncollectible accounts with the COA; and</p> <p>c. Enforce the collection of valid accounts. Send demand letters or withhold payment of money claims due to affected employees and others.</p>		<p>Management has identified debtors, however, management has a hard time reconstructing the records.</p> <p>Allowance for Doubtful Accounts has been provided; request for write-off in process.</p> <p>Those debtors with addresses were sent either demand letters or notice of collection.</p>	<p>Partially Implemented</p> <p>Partially Implemented</p> <p>Partially Implemented</p>
<p>5. JHMC Policy No. 012-2004 on the Retirement of Officers and Employees provided a Compulsory Retirement Program entitling qualified employees to 200 per cent of his/her salary for every year of service while the Early Retirement Program shall be equivalent to 50 per cent of the monthly salary for every year of service for the first five years with an additional 10 per cent of the monthly salary for each succeeding year but not to exceed 150 per cent.</p>	<p>2013 AAR, page 28</p>		

Observations and Recommendations	Ref.	Management Action	Status of Implementation
<p>Recommendation:</p> <p>In the absence of prior approval from the Office of the President, we recommended that JHMC Retirement Policy No. 012-2004 be set aside and instead apply the amount equivalent to one-half (1/2) month salary for every year of service in accordance with RA 7641, the Retirement Pay Law. Any excess payment of retirement pay shall be disallowed in audit.</p>		<p>Management has a pending request filed with the Office of the President for the approval of the new Retirement Policy.</p>	<p>Partially Implemented</p>
<p>6. The implementation of GAD Program of JHMC for calendar year 2013 was geared towards its clients and failed to integrate organization focused activities, thus affecting the efficiency and effectiveness of involvement in addressing gender related issues within the Corporation.</p> <p>Recommendation:</p> <p>We recommended that Management include GAD focused activities for the organization or those addressing identified gender issues of the Corporation and its personnel.</p>	<p>2013 AAR, page 29</p>	<p>Management noted the audit recommendation</p>	<p>Fully Implemented</p>
<p>7. Non-completion of the inventory report on PE; non-maintenance of ledger cards; and inappropriate recording</p>	<p>2012 AAR, page 21</p>		

Observations and Recommendations	Ref.	Management Action	Status of Implementation
<p>of leased-out property of BCDA.</p> <p>Recommendation:</p> <p>Institute policy and guidelines in safeguarding PE, including the following:</p> <p>a. Conduct of physical inventory and the completion of the corresponding inventory report; and</p> <p>b. Regular reconciliation of the PE account by the FD and GSD.</p>		<p>Management has completed the inventory-taking as of year-end.</p>	<p>Fully Implemented</p> <p>Partially Implemented</p>
<p>8. Inadequate allowance for doubtful accounts; collection inefficiency; and erroneous documentation of accounts receivable</p> <p>Recommendations:</p> <p>a. Establish and implement a policy on accounts receivable: its recognition based on complete documentation; enforcement of collection; and the setting-up of allowance for doubtful accounts in accordance with the afore-cited rules and regulations.</p>	<p>2012 AAR, page 23</p>	<p>There is already a policy on write-off, however, the Board will still approve the request for write-off of the accounts.</p>	<p>Partially Implemented</p> <p>A policy on “writing off of bad debts and setting of allowances/time line to settle bad debts has been approved by the JHMC Board and implemented in 2013 however, enforcement of collection and complete documentation of receivable accounts were not yet implemented. Reiterated in CY 2014 AAR, Part II Obs. No. 5.</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation
<p>b. Adjust or correct erroneous or negative entries.</p>			<p>Partially Implemented</p> <p>Validation is on-going; to be fast-tracked in CY 2015.</p>
<p>9. Long-outstanding and unsubstantiated payable accounts and long-term liabilities.</p> <p>Recommendations:</p> <p>a. Revert to retained earnings payable accounts and long-term liabilities that had been outstanding for two years or more and found to be invalid;</p> <p>b. Adjust negative balances; and</p> <p>c. Stop the practice of setting up accounts without valid supporting documents.</p>		<p>Management is doing its best to finish the projects that have long been overdue in order that payments could be made to the said long-term liabilities.</p>	<p>Partially implemented</p> <p>Long-term liabilities that cannot be substantiated were reverted to retained earnings. Other long-outstanding payable accounts are further reviewed for possible reversion to retained earnings.</p> <p>Not Implemented</p> <p>Not Implemented</p> <p>Accounts payable subsidiary ledgers showed negative balances including new accounts incurred in CY 2013.</p>
<p>10. Underutilized GAD Budget of ₱1 million.</p> <p>Recommendation:</p> <p>a. Fully implement</p>	<p>2012 AAR, page 23</p>		<p>Fully Implemented</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation
<p>GAD Plans and Programs for the attainment of the objective of GAD commitments, plans and policies.</p>			<p>While the financial utilization is only 39.78 per cent, the plan in CY 2013 was designed for data gathering in 11 barangays which was fully accomplished. The subsequent plan endorsed by PCW for CY 2014 would reflect the continuation of the data gathering activities in the remaining three barangays.</p> <p>To date, recalibration of GAD plans and programs for CY 2014 is being conducted in coordination with BCDA to ensure an attainable and sustainable GAD program.</p>
<p>11. Existence and accuracy of inventories totaling ₱7.606 million was unreliable.</p> <p>Recommendation:</p> <p>Conduct reconciliation of inventory accounts with accounting records to validate the accuracy of the inventories as presented in the financial statements.</p>	<p>2012 AAR, page 26</p>		<p>Partially Implemented</p> <p>Reconciliation of accounts is on-going and is nearing completion.</p>
<p>12. Due to Home Office and Other Long-term liabilities amounting to ₱2.310 million and ₱3.743 million respectively, unreliable due to incomplete</p>	<p>2012 AAR</p>		

Observations and Recommendations	Ref.	Management Action	Status of Implementation
<p>documentation.</p> <p>Recommendation:</p> <p>Instruct the Finance Department to properly document the accounts affected in order to establish their authenticity in compliance with the provisions of PD No. 1445.</p>			<p>Partially Implemented</p> <p>Reconciliation of accounts was conducted with BCDA officers but adjustments will be taken up in CY 2014.</p>
<p>13. Health insurance coverage paid to Fortune Medicare, Inc. in the amount of P458,298 was without legal basis.</p> <p>Recommendation:</p> <p>Obtain an authority from the Office of the President.</p>	<p>2013 AAR, page 20</p>	<p>Management has appealed the matter to the COA Regional Office.</p>	<p>Not Implemented</p> <p>Notice of Disallowance No. 2014-01 dated January 10, 2014 was issued.</p>
<p>14. Salary differential paid in the amount of P50,759 was not in concurrence with the provisions of JHMC Policy No. 003-2004.</p> <p>Recommendations:</p> <p>a. Refund the salary differential amounting to P50,759; and</p> <p>b. Observe strict compliance</p>	<p>2012 AAR</p>	<p>The matter was</p>	<p>Partially Implemented</p> <p>The concerned employee had refunded the amount of P6,500 in CY 2012.</p> <p>Partially Implemented</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation
to the provisions of JHMC Policy No. 003-004.		endorsed to the DOLE where the advisory opinion rendered is in the affirmative based on the appointment paper when the employee actually assumed the duties and responsibilities of a Cashier.	
<p>15. Delayed submission of financial statements, trial balances, disbursement vouchers, official receipts and journal entry vouchers deferred COA audit.</p> <p>Recommendations:</p> <p>a. Require all accountable officers to immediately submit supporting documents to the Finance Department and to the Office of the Auditor; and</p> <p>b. Require the Finance department Manager to supervise and monitor the submission of the financial reports to the Office of the Auditor within the prescribed period.</p>	2013 AAR, page 23	<p>Management has called the attention of those concerned to submit to COA the required supporting documents.</p>	<p>Partially Implemented</p> <p>Submission of all documents is on-going.</p> <p>Partially Implemented</p> <p>Submission of all documents is on-going.</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation
<p>16. Non-submission of disbursement vouchers and necessary evidence to support claims against government funds totaling P814,995.</p> <p>Recommendation:</p> <p>Instruct the Finance Department the immediate submission of disbursement vouchers and other required evidences to support government expenditures.</p>	<p>2012 AAR, page 16</p>	<p>The problem was already threshed out; for submission to COA.</p>	<p>Partially Implemented</p>
<p>17. Continuous occupancy of informal settlers in the 677 hectares of the John Hay reservation area.</p> <p>Recommendation:</p> <p>a. Design policies and implementing guidelines to prevent illegal occupancy or construction of structures by informal settlers in the area to end the rampant conversion of the forests and watersheds;</p>	<p>2012 AAR, page 23</p>		<p>Partially implemented</p> <p>Data gathered from the results of the relocation with structure survey and utility survey for the 13 barangays within the John Hay Reservation Area (JHRA), with Military Cut-off and Outlook Drive for further validation as to its inclusion into the JHRA, will be used to establish guidelines for the following:</p> <ul style="list-style-type: none"> • Preservation of delineated forest covers and

Observations and Recommendations	Ref.	Management Action	Status of Implementation
<p>b. Design a monitoring mechanism to validate effectiveness of the policies and its implementation; and</p> <p>c. Conduct comprehensive survey within the reservation area to identify the actual number of informal settlers.</p>			<p>watersheds;</p> <ul style="list-style-type: none"> • Retention of open areas by BCDA/JHMC to be proposed for master planning for investment possibilities; • Updated census for actual occupants within the JHRA; and • Prevention of entry of illegal settlers into non-segregated areas. <p>Partially Implemented</p> <p>The audit team will validate the effectiveness of the monitoring mechanism in CY 2014.</p> <p>Partially Implemented</p> <p>The team will validate accomplishment of the survey team in CY 2014.</p>
<p>18. JHMC Stock and Transfer Book was not updated.</p> <p>Recommendations:</p> <p>a. Update the Stock and Transfer Book;</p>	<p>2012 AAR</p>		<p>Partially implemented</p> <p>JHMC has an extended Memorandum of</p>

Observations and Recommendations	Ref.	Management Action	Status of Implementation
<p>b. Expedite the issuance of stock certificates to present members of the JHMC board of directors, so as not to compromise the authority of the members of the Board to exercise corporate powers and conduct business; and</p> <p>c. Cancel stock certificates of separated members of the Board.</p>			<p>Agreement with the Office of the Government Corporate Counsel (OGCC) which includes the update of the JHMC Stock and Transfer Book (STB).</p> <p>Not Implemented</p> <p>Issuance of stock certificate will follow after the Stock and Transfer Book has been updated.</p> <p>Not Implemented</p> <p>Management is still in the process of collecting available data for cancellation.</p>
<p>19. JHMC stock certificates issued in excess of the authorized capital stock were not approved by the Securities and Exchange Commission (SEC).</p> <p>Recommendation:</p> <p>Request the Corporate Secretary to seek the approval of the SEC on the increase in authorized capital stock.</p>	<p>2012 AAR, page 33</p>	<p>Management has already sent request for approval by SEC.</p>	<p>Partially implemented</p> <p>The update of the stock and Transfer Book is a requirement for the amendment of the Articles of Incorporation to effect the increase of the</p>

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			JHMC's authorized capital stock. The STB was turned over to OGCC in 2011.