



Republic of the Philippines  
**COMMISSION ON AUDIT**

Cordillera Administrative Region  
La Trinidad, Benguet

April 13, 2021

**ALLAN R. GARCIA**  
President and Chief Executive Officer  
John Hay Management Corporation  
Loakan, Baguio City



**Dear President and CEO Garcia,**

We are pleased to transmit the Annual Audit Report on the audit of the accounts and operations of the John Hay Management Corporation for the year ended December 31, 2020 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 to: (a) ascertain the level of assurance that may be placed on management's assertions on the financial statements; (b) determine the propriety of transactions as well as the extent of compliance with applicable laws, rules and regulations; (c) recommend agency improvement opportunities; and (d) determine the extent of implementation of prior years' audit recommendations.

The attached Report consists of the Independent Auditor's Report, the Audited Financial Statements, the Observations and Recommendations, which were discussed with concerned officials and staff, and the Status of Implementation of Prior Years' Audit Recommendations.

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements of the Corporation for the year ended December 31, 2020.

We request that the recommendations be promptly implemented and we would appreciate being informed of the actions taken thereon within sixty (60) days from receipt hereof, using the prescribed format of the attached copy of the Agency Action Plan and Status of Implementation (AAPSI).

**John Hay Management Corporation**  
a member of the BCDA Group



OPCEO-IN-2021-355



074-422-0827



074-422-0827



CommissionOnAuditCar@gmail.com

We express our appreciation for the support and cooperation extended to our Auditors by the officials and employees of John Hay Management Corporation.

Very truly yours,

  
Atty. EDEN D. YINGSON-RAFANAN  
Regional Director

Copy furnished:

Office of the President of the Republic of the Philippines  
Office of the Vice-President of the Republic of the Philippines  
President of the Senate  
Speaker of the House of Representatives  
Chairperson, Senate Finance Committee  
Chairperson, Senate Appropriations Committee  
Secretary of the Department of Budget and Management  
Governance Commission for Government-Owned or Controlled Corporations  
Presidential Management Staff – Office of the President  
Bases Conversion Development Authority





## INDEPENDENT AUDITOR'S REPORT

### THE BOARD OF DIRECTORS

John Hay Management Corporation  
Loakan, Baguio City

#### *Qualified Opinion*

We have audited the financial statements of John Hay Management Corporation (JHMC), which comprise the statement of financial position as at December 31, 2020 and the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the *Bases for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of JHMC as at December 31, 2020, its financial performance, and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRS).

#### *Bases for Qualified Opinion*

1. Assets, liabilities and equity were overstated by ₱15,903,587.72, ₱6,494,328.99 and ₱9,409,258.73, respectively; because various financial transactions and events were not appropriately recognized in the books.
2. Input VAT arising from zero-rated transactions were improperly derecognized from the books resulting in the understatement of the Retained Earnings and Input Tax both by ₱7,415,295.37. Further, management failed to apply for tax credit/refund, within the two-year prescriptive period, to recover the unutilized accumulated input VAT.
3. Cash dividends declared during the CY 2020 for Dividend Year 2019 was insufficient by ₱8,692,791.37 resulting in the overstatement of Retained Earnings and understatement of Dividends Payable both by the said amount. Further, total dividends due the National Government totaling ₱18,524,599.00 remained unremitted despite the lapse of the prescribed remittance period.

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our

report. We are independent of the agency in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities under those relevant ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

#### *Key Audit Matters*

Except for the matters described in the *Bases for Qualified Opinion* section, we have determined that there are no other key audit matters to communicate in our report.

#### *Responsibilities of Management and those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, 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.


Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

#### **COMMISSION ON AUDIT**

By:

  
**Cristina B. Emaguin**  
Supervising Auditor

March 25, 2021




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

**ANNEX G**


The Management of the **JOHN HAY MANAGEMENT CORPORATION** is responsible for the preparation of the financial statements as at **31 December 2020**, including the additional components attached thereto in accordance with the prescribed financial reporting framework indicated therein. The 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 before such statements are issued to the regulators, creditors and other users.


The Commission on Audit has audited the financial statements of the **JOHN HAY MANAGEMENT CORPORATION** in accordance with the Philippine Public Sector Standards on Auditing and has expressed its opinion on the fairness of presentation upon completion of such audit, in its report to the Board of Directors.

  
**SILVESTRE C. AFABLE JR.**  
Chairman of the Board

FEB 14 2021  
Date Signed

  
**RONALD B. ZAMBRANO**  
Finance Manager

FEB 14 2021  
Date Signed

  
**ALLAN R. GARCIA**  
President and CEO

FEB 14 2021  
Date Signed

**JOHN HAY MANAGEMENT CORPORATION**  
**CONDENSED STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2020**

	Notes	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>			
<b>CURRENT ASSET</b>			
Cash and Cash Equivalent	6	24,565,017.70	80,749,808.92
Investments	7	110,309,307.64	83,716,736.66
Receivables	8	50,126,392.69	39,739,002.50
Inventories	9	4,847,371.06	5,019,800.68
Other Assets	13	4,956,574.86	5,132,624.08
<b>Total Current Assets</b>		<u><b>194,804,663.95</b></u>	<u><b>214,357,972.84</b></u>
<b>NON-CURRENT ASSETS</b>			
Investments	7	5,632,000.00	5,632,000.00
Receivables	8	651,473.87	892,023.45
Investment Property	10	15,628,937.23	16,502,080.66
Property, Plant and Equipment	11	18,733,337.61	14,197,896.19
Intangible Assets	12	46,553.57	241,071.44
Other Assets	13	6,882,130.28	6,882,130.28
<b>Total Non-Current Assets</b>		<u><b>47,574,432.56</b></u>	<u><b>44,347,202.02</b></u>
<b>TOTAL ASSETS</b>		<u><b>242,379,096.51</b></u>	<u><b>258,705,174.86</b></u>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Financial Liabilities	14	15,960,741.68	14,649,429.58
Inter-Agency Payables	15	8,606,884.60	17,231,886.44
Trust Liabilities	16	3,263,113.70	1,682,920.78
Deferred Credits/Unearned Revenue/ Income	17	1,155,093.16	464,242.90
Other Payables	18	9,982,096.12	138,978.18
<b>TOTAL CURRENT LIABILITIES</b>		<u><b>38,967,929.26</b></u>	<u><b>34,167,457.88</b></u>
<b>EQUITY</b>			
Retained Earnings/(Deficit)		(180,402,911.72)	(159,276,361.99)
Stockholders' Equity	27	383,814,078.97	383,814,078.97
<b>TOTAL EQUITY</b>		<u><b>203,411,167.25</b></u>	<u><b>224,537,716.98</b></u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u><b>242,379,096.51</b></u>	<u><b>258,705,174.86</b></u>

*The notes on pages 14 to 18 and 26 form part of these statements.*

**JOHN HAY MANAGEMENT CORPORATION**  
**CONDENSED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	Notes	<u>2020</u>	<u>2019</u>
<b>REVENUE/INCOME</b>			
Service and Business Income	19	103,539,105.07	115,672,211.22
Gains	20	0.00	564,716.95
Other Non-Operating Income	21	1,795.41	15,702.00
<b>Total Income</b>		<u><b>103,540,900.48</b></u>	<u><b>116,252,630.17</b></u>
<b>LESS: Current Operating Expenses</b>			
Personnel Services	22	51,710,028.79	49,529,303.49
Maintenance and Other Operating Expenses	23	25,775,561.84	32,573,430.45
Financial Expenses	24	56,405.71	0.00
Non-Cash Expenses	25	5,433,046.86	4,502,639.42
<b>Total Current Operating Expenses</b>		<u><b>82,975,043.20</b></u>	<u><b>86,605,373.36</b></u>
<b>NET INCOME/(LOSS) before tax</b>		<b>20,565,857.28</b>	<b>29,647,256.81</b>
<b>Income Tax Expense/(Benefit)</b>		<u>8,310,406.02</u>	<u>15,400,053.73</u>
<b>PROFIT/(LOSS) AFTER TAX</b>		12,255,451.26	14,247,203.08
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		0.00	0.00
<b>COMPREHENSIVE INCOME/(LOSS)</b>		<u><b>12,255,451.26</b></u>	<u><b>14,247,203.08</b></u>

---

*The notes on pages 19 to 21 form part of these statements.*



**JOHN HAY MANAGEMENT CORPORATION**  
**CONDENSED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	Notes	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash Inflows</b>			
Collection of Income/Revenue		98,644,383.17	108,549,738.35
Collections of Receivables		106,086.48	488,263.67
Receipt of Inter-Agency Fund Transfer		48,368,321.96	63,044,463.87
Trust Receipts		158,707.00	354,439.83
Other Receipts		536,937.19	1,113,783.09
<b>Total Cash Inflows</b>		<b>147,814,435.80</b>	<b>173,550,688.81</b>
Adjustments		18,103,032.52	1,151,263.00
<b>Adjusted Cash Inflows</b>		<b>165,917,468.32</b>	<b>174,701,951.81</b>
<b>Cash Outflows</b>			
Payment of Expenses		70,943,234.15	64,911,684.55
Payment of Inventories		558,237.94	879,895.84
Grant of Cash Advances		1,890,084.06	2,175,288.23
Prepayments		3,824,699.99	89,858.32
Refund of Deposits		71,715.43	90,325.00
Payment of Accounts Payable		8,589,159.51	2,836,798.19
Remittance of Personnel Benefit			
Contributions & Mandatory Dedn's		18,981,655.60	16,612,794.79
Release of Inter-Agency fund Transfers		52,483,808.54	54,214,090.85
Other Disbursements		36,895.00	40,148.00
<b>Total Cash Outflows</b>		<b>157,379,490.22</b>	<b>141,850,883.77</b>
Adjustments		43,113,113.52	58,131,338.54
<b>Adjusted Cash Outflows</b>		<b>200,492,603.74</b>	<b>199,982,222.31</b>
<b>Net Cash Provided by (Used in) Operating Expenses</b>	<b>26.1</b>	<b>(34,575,135.42)</b>	<b>(25,280,270.50)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
<b>Cash Inflows</b>			
Proceeds from Sale/Disposal of			
Property, Plant and Equipment		0.00	753,400.00
Collection of COB for Capital Outlay		1,695,000.00	1,168,000.00
<b>Total Cash Inflows</b>		<b>1,695,000.00</b>	<b>1,921,400.00</b>
<b>Cash Outflows</b>			
Purchase/Construction of Property, Plant and Equipment		806,365.50	672,010.54
Purchase of Intangible Assets		0.00	360,000.00
<b>Total Cash Outflows</b>		<b>806,365.50</b>	<b>1,032,010.54</b>
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>26.2</b>	<b>888,634.50</b>	<b>889,389.46</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
<b>Cash Inflows</b>		<b>0.00</b>	<b>0.00</b>
<b>Cash Outflows</b>			
Payment of cash dividends		22,498,290.30	0.00
<b>Total Cash Outflows</b>		<b>22,498,290.30</b>	<b>0.00</b>
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>26.3</b>	<b>(22,498,290.30)</b>	<b>0.00</b>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>		<b>(56,184,791.22)</b>	<b>(24,390,881.04)</b>
<b>Effects of Exchange Rate Changes on Cash and Cash</b>			
<b>Equivalents</b>	<b>26.4</b>	<b>0.00</b>	<b>(273.60)</b>
<b>Cash and Cash Equivalents, January 1, 2020</b>		<b>80,749,808.92</b>	<b>105,140,963.56</b>
<b>Cash and Cash Equivalents, December 31, 2020</b>		<b>24,565,017.70</b>	<b>80,749,808.92</b>

*The notes on pages 22-26 form part of these statements*



**JOHN HAY MANAGEMENT CORPORATION**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

	Notes	Retained Earnings/ (Deficit)	Share Capital	Share Prem	TOTAL
BALANCE AT 01 JANUARY, 2019		(195,383,375.87)	383,814,000.00	78.97	188,430,703.10
CHANGES IN EQUITY FOR 2019					
Add/(Deduct):					
Comprehensive Income for the Year		14,247,203.08			14,247,203.08
Other Adjustments		21,859,810.80			21,859,810.80
BALANCE AT 31 DECEMBER, 2019		(159,276,361.99)	383,814,000.00	78.97	224,537,716.98
CHANGES IN EQUITY FOR 2020					
Add/(Deduct):					
Comprehensive Income for the Year		12,255,451.26			12,255,451.26
Dividends	29	(32,330,098.43)			(32,330,098.43)
Other Adjustments	5	(1,051,902.56)			(1,051,902.56)
BALANCE AT 31 DECEMBER, 2020		(180,402,911.72)	383,814,000.00	78.97	203,411,167.25

*The notes on pages 13 to 14 and 27 form part of these statements.*