



# SECURITIES AND EXCHANGE COMMISSION

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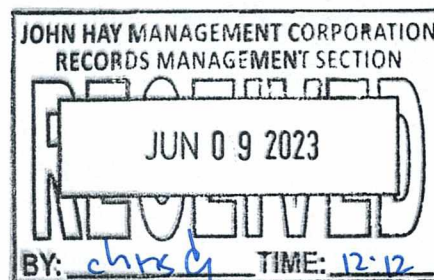
REPUBLIC OF THE PHILIPPINES  
**COMMISSION ON AUDIT**  
**CORDILLERA ADMINISTRATIVE REGION**

Km 6, Barangay Betag, La Trinidad, Benguet

June 8, 2023

**ALLAN R. GARCIA**

President and Chief Executive Officer  
John Hay Management Corporation  
Loakan Road, Baguio City



John Hay Management Corporation  
a member of the BCDIA Group  
OPCEO-IN-2023-747

**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 (JHMC) for the year ended December 31, 2022, pursuant to 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 attached Report consists of the Independent Auditor's Report, the Audited Financial Statements, the Observations and Recommendations, 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 JHMC.

The following are the significant observations and recommendations:

1. Bookkeeping lapses in the recognition of transactions and events resulted in the net overstatement of assets and equity, both by the amount of P12.502 million.

We recommended and Management agreed that the Finance Department effect the appropriate adjustments in the books of accounts, for a faithful representation of financial information and fair presentation of account balances in the financial statements.

2. Agency operating procedures relative to collection transactions totaling P6.7 million, were not compliant with rules and regulations on maintenance of records, handling of funds, use of authorized accountable forms, proper designation, and bonding of accountable officers.

We recommended and Management agreed that only designated and bonded collecting officials shall perform collecting functions. We further recommended and Management agreed that each AO maintain a cashbook or CRR; directly deposit collections to the authorized depository account of JHMC; and issue the authorized Form 51-C in acknowledgement of the receipt of payments by clients of the agency.

3. The agency complied with the provision of at least 5 per cent of its total budget for Gender and Development programs and activities. However, two of the funded activities were partially completed as compared to the 100 per cent completion of activities in the previous year. Accordingly, the target outcomes of the uncompleted activities were not achieved.

We recommended and Management agreed that all GAD activities funded in the GAD Plan and Budget be fully implemented within the year, to realize the objectives embodied therein.

4. Enforcement of COA Orders of Execution of decisions on disallowances/charge have not been actively pursued, as evidenced by the lack of documented Management action thereon and the low rate of settlement at 19 per cent or P2.131 million of the total P11.148 million disallowances/charge.

We recommended and Management agreed that the COEs be continuously enforced, pursuant to the policies on the settlement of disallowances.

The audit observations and recommendations were discussed with concerned officials of JHMC in an exit conference held on May 9, 2023. Management's comments were incorporated in the report, where appropriate.

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).

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

#### **COMMISSION ON AUDIT**

By:

  
**RENATO O. ROSALES**  
OIC-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 and Development Authority





Republic Of The Philippines  
**COMMISSION ON AUDIT**  
Commonwealth Avenue, Quezon City

# **ANNUAL AUDIT REPORT**

on the

**JOHN JAY MANAGEMENT  
CORPORATION  
Baguio City**

**For the Year Ended December 31, 2022**



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

The Management of the JOHN HAY MANAGEMENT CORPORATION is responsible for the preparation of the financial statements as at 31 December 2022, 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.

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**RUFINO G. HAY JR.**  
Acting Chairman of the Board

FEB 10 2023  
Date Signed

  
**RONALD B. ZAMBRANO**  
Finance Manager

FEB 10 2023  
Date Signed

  
**ALLAN R. GARCIA**  
President and CEO

FEB 10 2023  
Date Signed

**JOHN JAY MANAGEMENT CORPORATION**  
**CONDENSED STATEMENT OF FINANCIAL POSITION**  
**GENERAL FUND**  
**AS AT DECEMBER 31, 2022**  
(In Philippine Peso)

	Notes	2022	2021 As Restated
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	5	37,859,195.82	51,022,339.38
Investments	6	71,501,356.83	56,046,243.53
Receivables	7	58,133,256.58	62,289,893.78
Inventories	8	4,519,383.71	4,719,615.58
Other Current Assets	12	3,996,303.87	6,112,390.69
<b>Total Current Assets</b>		<b>176,009,496.81</b>	<b>180,190,482.96</b>
<b>NON-CURRENT ASSETS</b>			
Investments	6	5,632,000.00	5,632,000.00
Receivables	7	931,606.54	1,134,936.18
Investments Property	9	14,152,437.39	14,874,217.51
Property, Plant and Equipment	10	22,881,265.39	18,363,472.21
Intangible Assets	11	-	11,391.24
Other Non-Current Assets	12	-	3,992,349.12
<b>Total Non-Current Assets</b>		<b>43,597,309.32</b>	<b>44,008,366.26</b>
<b>TOTAL ASSETS</b>		<b>219,606,806.13</b>	<b>224,198,849.22</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Financial Liabilities	13	7,985,511.14	4,666,975.47
Inter Agency Payables	14	2,447,395.49	3,088,613.91
Trust Liabilities	15	4,527,653.05	11,377,148.62
Deferred Credits/Unearned Revenue/Income	16	1,601,150.38	1,109,209.18
Provisions	17	4,272,511.64	-
Other Payables	18	95,287.93	95,287.93
<b>Total Current Liabilities</b>		<b>20,929,509.63</b>	<b>20,337,235.11</b>
<b>TOTAL LIABILITIES</b>		<b>20,929,509.63</b>	<b>20,337,235.11</b>
<b>EQUITY</b>			
Retained Earnings		(154,438,577.41)	(156,893,374.86)
Stockholders' Equity	27	353,115,873.91	360,754,988.97
<b>TOTAL EQUITY</b>		<b>198,677,296.50</b>	<b>203,861,614.11</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>219,606,806.13</b>	<b>224,198,849.22</b>

The notes on pages 16 to 23 form part of these statements.

**JOHN JAY MANAGEMENT CORPORATION**  
**CONDENSED STATEMENT OF COMPREHENSIVE INCOME**  
**GENERAL FUND**  
**FOR THE MONTH ENDED DECEMBER 31, 2022**  
(In Philippines Peso)

	Notes	2022	2021
<b>INCOME</b>			
Service and Business Income	19	105,892,319.92	95,274,040.95
Gains	20	1,217,722.21	578,201.88
Other Non-Operating Income	21	35,900.11	476,809.10
<b>TOTAL INCOME</b>		<b>107,145,942.24</b>	<b>96,329,051.93</b>
<b>LESS: Current Operating Expenses</b>			
Personnel Services	22	62,986,578.03	53,658,453.27
Maintenance and Other Operating Expenses	23	33,161,577.52	22,650,243.83
Financial Expenses	24	30,600.00	-
Non-Cash Expenses	25	3,887,903.21	4,199,365.62
<b>TOTAL CURRENT OPERATING EXPENSES</b>		<b>100,066,658.76</b>	<b>80,508,062.72</b>
<b>NET INCOME/ (LOSS) Before Tax</b>		<b>7,079,283.48</b>	<b>15,820,989.21</b>
<b>Income Tax Expense/(Benefits)</b>		<b>2,452,922.59</b>	<b>5,069,471.74</b>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		<b>-</b>	<b>-</b>
<b>COMPREHENSIVE INCOME/(LOSS)</b>		<b>4,626,360.89</b>	<b>10,751,517.47</b>

*The notes on pages 23 to 27 form part of these statements.*



**JOHN HAY MANAGEMENT CORPORATION**  
**STATEMENT OF CHANGES IN EQUITY**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

In Philippines Peso

	Notes	Retained Earnings/ (Deficit)	Share Capital	Share Pre- mium	TOTAL
<b>BALANCE AT JANUARY 1, 2021</b>		<u>(180,402,911.72)</u>	<u>383,814,000.00</u>	<u>78.97</u>	<u>203,411,167.25</u>
<b>CHANGES IN EQUITY FOR 2021</b>					
Add/(Deduct):					
Comprehensive Income for the Year		10,751,517.47			10,751,517.47
Dividend Paid		(16,856,706.87)			(16,856,706.87)
Other Adjustments		<u>34,107,623.28</u>	<u>(23,059,100.00)</u>	<u>10.00</u>	<u>11,048,533.28</u>
<b>BALANCE AT DECEMBER 31, 2021</b>		<u>(152,400,477.84)</u>	<u>360,754,900.00</u>	<u>88.97</u>	<u>208,354,511.13</u>
Add/(Deduct):					
Change in Accounting Policy	4	<u>(4,492,897.02)</u>			<u>(4,492,897.02)</u>
<b>RESTATED BALANCE AT</b>					
<b>DECEMBER 31, 2021</b>		<u>(156,893,374.86)</u>	<u>360,754,900.00</u>	<u>88.97</u>	<u>203,861,614.11</u>
<b>CHANGES IN EQUITY FOR 2022</b>					
Add/(Deduct):					
Comprehensive Income for the Year		4,626,360.89			4,626,360.89
Dividends Paid	4	(8,093,087.50)			(8,093,087.50)
Other Adjustments	4	<u>5,921,524.06</u>	<u>(7,639,100.00)</u>	<u>(15.06)</u>	<u>(1,717,591.00)</u>
<b>BALANCE AT DECEMBER 31, 2022</b>		<u>(154,438,577.41)</u>	<u>353,115,800.00</u>	<u>73.91</u>	<u>198,677,296.50</u>

*The notes on pages 15-16 form part of these statements.*



**JOHN JAY MANAGEMENT CORPORATION**  
**CONDENSED STATEMENT OF CASH FLOWS**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**  
In Philippines Peso

		<b>2022</b>	<b>2021</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>Notes</b>		
<b>Cash Inflows</b>			
Collection of Income/Revenues		99,957,265.72	92,501,586.38
Collection of Accounts Receivable		1,648,282.96	644,046.97
Receipt of Inter-Agency Fund Transfers		64,612,198.17	127,093,703.67
Trust Receipts		983,609.40	45,682.38
Other Receipts		548,258.23	401,190.13
<b>Total Cash Inflows</b>		<b>167,749,614.48</b>	<b>220,686,209.53</b>
Adjustments		172,946.34	55,809,611.60
<b>Adjusted Cash Inflows</b>		<b>167,922,560.82</b>	<b>276,495,821.13</b>
<b>Cash Outflows</b>			
Payment of Expenses		77,585,606.22	63,690,349.21
Payment of Accounts Payable		3,422,143.52	10,120,337.35
Payment of Inventories		5,025,598.35	1,722,535.04
Grant of Cash Advances		1,440,860.00	1,290,635.00
Prepayments		230,827.08	39,449.89
Refund of Deposits		19,125.00	34,800.00
Remittance of Personnel Benefit Contributions		23,336,640.26	27,302,265.52
Release of Inter-Agency Fund Transfers		47,523,584.91	114,321,493.04
Other Disbursements		179,692.26	108,524.06
<b>Total Cash Outflows</b>		<b>158,764,077.60</b>	<b>218,630,389.11</b>
Net Cash Provided by (Used in) Operating Activities	26.1	9,158,483.22	57,865,432.02
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
<b>Cash Inflows</b>			
Proceed from Sale/Disposal of Property, Plant and Equipment		462,000.00	274,000.00
<b>Total Cash Inflows</b>		<b>462,000.00</b>	<b>274,000.00</b>
<b>Cash Outflows</b>			
Purchase/Construction of Property, Plant and Equipment		390,539.28	4,993,595.34
<b>Total Cash Outflows</b>		<b>390,539.28</b>	<b>4,993,595.34</b>
Adjustments: Additional Investment to Fund Placements		14,300,000.00	-
<b>Adjusted Cash Outflowflows</b>		<b>14,690,539.28</b>	<b>4,993,595.34</b>
Net Cash Provided by (Used in) Investing Activities		(14,228,539.28)	(4,719,595.34)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
<b>Cash Inflows</b>		-	-
<b>Cash Outflows</b>			
Payment of cash dividends		8,093,087.50	26,688,515.00
<b>Net Cash Provided by (Used in) Financing Activities</b>		<b>(8,093,087.50)</b>	<b>(26,688,515.00)</b>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>		<b>(13,163,143.56)</b>	<b>26,457,321.68</b>
<b>Cash and Cash Equivalents, January 1, 2022</b>		<b>51,022,339.38</b>	<b>24,565,017.70</b>
<b>Cash and Cash Equivalents, December 31, 2022</b>		<b>37,859,195.82</b>	<b>51,022,339.38</b>

*The notes on pages 27 to 31 form part of these statements.*