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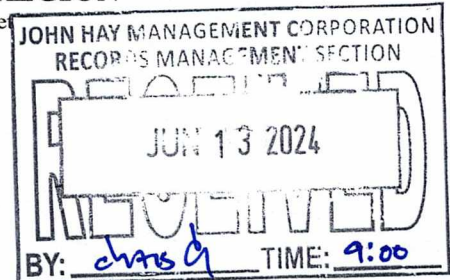
REPUBLIC OF THE PHILIPPINES
Commission on Audit
CORDILLERA ADMINISTRATIVE REGION

Km 6, Barangay Betag, La Trinidad, Benguet

June 10, 2024

MARLO IGNACIO V. QUADRA

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



John Hay Management Corporation
a member of the BCDA Group
OPCEO-IN-2024-724

Dear President and CEO Quadra,

We are pleased to transmit the Annual Audit Report on the audit of the accounts and operations of John Hay Management Corporation (JHMC) for the year ended December 31, 2023, 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 errors in the recognition of transactions resulted in the net understatement of assets and liabilities by ₱.987 million and ₱1.248 million, respectively and overstatement of equity by ₱261,031.80.

We recommended that Management direct the finance department to effect the appropriate adjustments in the books for a faithful representation of financial information and fair presentation of account balances in the financial statements; and that the Cashier remit to BCDA the collections totaling ₱766,776.47 from the short-term locators, pursuant to the Revised Performance Agreement.

2. Share Capital was overstated while Retained Earnings was understated, both by the amount of ₱38.368 million because erroneous adjustments made in 2013 to derecognize assets and share capital of BCDA in the books of JHMC remained uncorrected.

We recommended that Management direct the finance department to effect the adjustments to reduce the Share Capital and the Retained Earnings accounts both by the amount of ₱38,368,073.79 for a fair presentation of the balances of the accounts in the financial statements.

3. The agency has not undertaken the One-Time Cleansing of PPE accounts, thus PPE balances include the carrying value in the aggregate of ₱3.992 million of fully depreciated and non-existing items.

We recommended that Management undertake the One-Time Cleansing of PPE accounts to establish PPE balances that are verifiable as to existence, condition and accountability, and to present fairly the balances of PPE accounts in the financial statements.

4. The Corporation did not insure with the GSIS insurable assets totaling P10.219 million despite availability of budget allocation for the purpose, in violation of the Property Insurance Law. Accordingly, reliable and adequate protection against damage to or loss of insurable assets was not guaranteed.

We recommended that Management insure with the GSIS all insurable assets of the Corporation, pursuant to the Property Insurance Law.

5. The prescribed PPE numbering system was not adopted by the agency, thus property numbers do not correspond to the account groups provided in the Revised Chart of Accounts and do not provide location codes.

We recommended that Management direct the general services department to adopt the prescribed PPE numbering system, pursuant to COA Circular No. 2020-006.

The audit observations and recommendations were discussed with JHMC officials concerned in an exit conference held on April 24, 2024. 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
Regional Director

Copy furnished:

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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 HAY MANAGEMENT CORPORATION
Baguio City

For the Year Ended December 31, 2023

John Hay Special Economic Zone
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ANNEX " A "



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 2023**, 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.

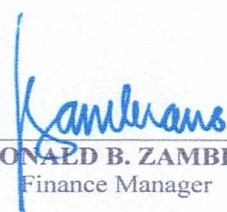
The Commission on Audit has audited the financial statements of the **JOHN HAY MANAGEMENT CORPORATION** in accordance with the Philippine Public Sector Standards on Auditing and has expressed its opinion on the fairness of presentation upon completion of such audit, in its report to the Board of Directors.


ATTY. MARLO IGNACIO V. QUADRA

Chairperson


FEB 12 2024

Date Signed


RONALD B. ZAMBRANO
Finance Manager

FEB 12 2024

Date Signed


ALLAN R. GARCIA
President and CEO

FEB 12 2024

Date Signed

JOHN HAY MANAGEMENT CORPORATION
CONDENSED STATEMENT OF FINANCIAL POSITION
GENERAL FUND
AS AT DECEMBER 31, 2023

	Notes	2023	2022
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	5	61,341,591.42	37,859,195.82
Investments	6	40,829,206.31	71,501,356.83
Receivables	7	62,540,707.03	58,133,256.58
Inventories	8	4,484,198.01	4,519,383.71
Other Current Assets	12	2,023,286.43	3,996,303.87
Total Current Assets		171,218,989.20	176,009,496.81
NON-CURRENT ASSETS			
Investments	6	5,632,000.00	5,632,000.00
Receivables	7	4,427,470.37	931,606.54
Investment Property	9	754,468.03	14,152,437.39
Property, Plant and Equipment	10	24,594,669.71	22,881,265.39
Intangible Assets	11	424,851.17	-
Total Non-Current Assets		35,833,459.28	43,597,309.32
TOTAL ASSETS		207,052,448.48	219,606,806.13
LIABILITIES AND EQUITY			
LIABILITIES			
CURRENT LIABILITIES			
Financial Liabilities	13	8,566,167.30	7,985,511.14
Inter Agency Payables	14	2,592,040.79	2,447,395.49
Trust Liabilities	15	3,029,246.50	4,527,653.05
Deferred Credits/Unearned Income	16	292,684.48	1,601,150.38
Provisions	17	4,036,775.50	4,272,511.64
Other Payables	18	101,487.93	95,287.93
Total Current Liabilities		18,618,402.50	20,929,509.63
TOTAL LIABILITIES		18,618,402.50	20,929,509.63
EQUITY			
Retained Earnings/(Deficit)		(127,175,483.30)	(154,438,577.41)
Stockholders' Equity		315,609,529.28	353,115,873.91
TOTAL EQUITY		188,434,045.98	198,677,296.50
TOTAL LIABILITIES AND EQUITY		207,052,448.48	219,606,806.13

See Accompanying Notes to Financial Statements

JOHN HAY MANAGEMENT CORPORATION
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	Notes	2023	2022
INCOME			
Service and Business Income	19	108,513,978.90	105,892,319.92
Gains	20	-	1,217,722.21
Other Non-Operating Income	21	173,595.27	35,900.11
TOTAL INCOME		108,687,574.17	107,145,942.24
LESS: Current Operating Expenses			
Personnel Services	22	61,856,159.46	62,986,578.03
Maintenance and Other Operating Expenses	23	33,793,450.89	33,161,577.52
Financial Expenses	24	155.00	30,600.00
Non-Cash Expenses	25	3,013,365.64	3,887,903.21
TOTAL CURRENT OPERATING EXPENSES		98,663,130.99	100,066,658.76
Profit/(Loss) Before Tax		10,024,443.18	7,079,283.48
Income Tax Expense/(Benefits)		2,970,924.83	2,452,922.59
Profit/(Loss) after Tax		7,053,518.35	4,626,360.89
Assistance and Subsidy		-	-
Other Comprehensive Income/(Loss) for the Period		-	-
COMPREHENSIVE INCOME/(LOSS)		7,053,518.35	4,626,360.89

See Accompanying Notes to Financial Statements

JOHN HAY MANAGEMENT CORPORATION
STATEMENT OF CHANGES IN EQUITY
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	N o t e	Retained Earnings/ (Deficit)	Share Capital	Share Premium	TOTAL
BALANCE AT JANUARY 1, 2022		<u>(157,018,074.92)</u>	<u>360,754,900.00</u>	<u>88.97</u>	<u>203,736,914.05</u>
CHANGES IN EQUITY FOR 2022					
Add/(Deduct):					
Comprehensive Income for the Year		4,626,360.89	-	-	4,626,360.89
Dividends		(8,093,087.50)	-	-	(8,093,087.50)
Other Adjustments		6,046,224.12	(7,639,100.00)	(15.06)	(1,592,890.94)
BALANCE AT DECEMBER 31, 2022		<u>(154,438,577.41)</u>	<u>353,115,800.00</u>	<u>73.91</u>	<u>198,677,296.50</u>
CHANGES IN EQUITY FOR 2023					
Add/(Deduct)					
Comprehensive Income for the Year		7,053,518.35	-	-	7,053,518.35
Dividends	4	(3,923,559.67)	-	-	(3,923,559.67)
Other Adjustments	4	24,133,135.43	(37,506,300.00)	(44.63)	(13,373,209.20)
BALANCE AT DECEMBER 31, 2023		<u>(127,175,483.30)</u>	<u>315,609,500.00</u>	<u>29.28</u>	<u>188,434,045.98</u>

The notes on pages 15 and 24 to 26 form part of this statement.

JOHN HAY MANAGEMENT CORPORATION
CONDENSED STATEMENT OF CASH FLOWS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2023

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Inflows		
Collection of Income/Revenues	167,239,030.66	163,236,984.35
Collection of Income/Revenue	112,425,944.29	99,957,265.72
Collection of Receivables	54,813,086.37	63,279,718.63
Trust Receipts	368,559.63	3,964,371.90
Other Receipts	756,402.18	548,258.23
Total Cash Inflows	168,363,992.47	167,749,614.48
Adjustments	31,111,597.67	172,946.34
Adjusted Cash Inflows	199,475,590.14	167,922,560.82
Cash Outflows		
Payment of Expenses	75,360,580.94	77,585,606.22
Purchase of Inventories	2,581,617.06	5,025,598.35
Grant of Cash Advances	2,385,680.00	1,440,860.00
Prepayments	59,682.85	230,827.08
Refund of deposits	149,305.53	19,125.00
Payment of Accounts Payable	7,204,493.77	3,422,143.52
Remittance of Personnel Benefit Contributions		
Mandatory Deductions	23,948,163.16	23,336,640.26
Release of Inter-Agency Fund Transfers	-	-
Other Disbursements	59,077,387.14	47,703,277.17
Total Cash Outflows	170,766,910.45	158,764,077.60
Adjustments	-	-
Adjusted Cash Outflows	170,766,910.45	158,764,077.60
Net Cash Provided by (Used in) Operating Activities	28,708,679.69	9,158,483.22
CASH FLOW FROM INVESTING ACTIVITIES		
Cash Inflows		
Proceeds from Sale/Disposal of Property, Plant and Equipment	-	462,000.00
Total Cash Inflows	-	462,000.00
Cash Outflows		
Purchase/Construction of Property, Plant and Equipment and Equipment	1,213,438.71	390,539.28
Purchase of Intangible Assets	89,285.71	
Total Cash Outflows	1,302,724.42	390,539.28
Adjustments: Additional Investment to Fund Placements	-	(14,300,000.00)
Net Cash Provided by (Used in) Investing Activities	(1,302,724.42)	(14,228,539.28)
CASH FLOW FROM FINANCING ACTIVITIES		
Cash Inflows		
Total Cash Inflows	-	-
Cash Outflows		
Payment of Cash Dividends	3,923,559.67	8,093,087.50
Total Cash Outflows	3,923,559.67	8,093,087.50
Net Cash Provided by (Used in) Financing Activities	(3,923,559.67)	(8,093,087.50)
Increase (Decrease) in Cash and Cash Equivalents	23,482,395.60	(13,163,143.56)
Cash and Cash Equivalents, January 1, 2023	37,859,195.82	51,022,339.38
Cash and Cash Equivalents, December 31, 2023	61,341,591.42	37,859,195.82