



*Republic of the Philippines*

**COMMISSION ON AUDIT**

*Commonwealth Avenue, Quezon City,  
Philippines*

## **INDEPENDENT AUDITOR'S REPORT**

### **The Board of Trustees**

Development Academy of the Philippines  
San Miguel Avenue, Pasig City

We have audited the accompanying financial statements of the Development Academy of the Philippines, which comprise the balance sheet as of December 31, 2011, and the statement of income and expenses, statement of changes in equity and cash flow statement 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 State accounting principles, 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 requirements 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 amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the

effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

*Basis for Qualified Opinion*

As discussed in Part IIA Comments and Observations No. 1, Allowance for Doubtful Accounts for Accounts Receivables with year end balance of P125.32 million was overstated by P48.74 million due to the adoption of rates ranging from 12 to 100 percent instead of one to five percent prescribed in Section 66 of the NGAS Manual, Volume I. Also, Accounts Receivable which pertained to government agencies and Other Receivables pertaining to the cash shortage and disallowance of a former cashier were likewise subjected to allowance for bad debts, which was inconsistent with Section 66 of NGAS Manual, Volume 1.

*Qualified Opinion*

In our opinion, except for the effect of the matter referred to in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Development Academy of the Philippines as of December 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with State accounting principles.

**COMMISSION ON AUDIT**

  
**FE G. ENGO**

OIC-Supervising Auditor-Audit Group G  
Cluster C, Corporate Government Sector

June 21, 2012

**DEVELOPMENT ACADEMY OF THE PHILIPPINES**  
**BALANCE SHEET**

**December 31, 2011**  
(With corresponding figures for 2010)  
(In Philippine Peso)

	Notes	2011	2010 (As restated)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4.2/5	35,655,999	34,377,876
Investments	4.5/10	140,000,000	163,569,584
Trade and other receivables - net	4.3/6	78,009,793	77,213,737
Inventories - net	4.4/7	4,964,105	4,333,598
Prepaid expenses	8	13,710,784	17,916,788
Other current assets	9	1,804,697	1,954,248
<b>TOTAL CURRENT ASSETS</b>		<b>274,145,378</b>	<b>299,365,831</b>
<b>Non-current Assets</b>			
Investments	4.5/10	50,007,000	20,679,929
Property and equipment - net	4.6/11	155,442,642	128,459,923
Other non-current assets	12	2,878,610	93,486
<b>TOTAL NON-CURRENT ASSETS</b>		<b>208,328,252</b>	<b>149,233,338</b>
<b>TOTAL ASSETS</b>		<b>482,473,630</b>	<b>448,599,169</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Payables	13	71,847,639	55,620,213
Inter-agency payables	14	9,847,476	13,555,670
Other payables	15	39,318,811	37,381,693
<b>TOTAL CURRENT LIABILITIES</b>		<b>121,013,926</b>	<b>106,557,576</b>
<b>Non-current Liabilities</b>			
Deferred credits	16	79,004,359	65,471,005
Other long-term liabilities	17	26,901,475	22,981,286
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>105,905,834</b>	<b>88,452,291</b>
<b>TOTAL LIABILITIES</b>		<b>226,919,760</b>	<b>195,009,867</b>
<b>EQUITY</b>		<b>255,553,870</b>	<b>253,589,302</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>482,473,630</b>	<b>448,599,169</b>

The notes on pages 7 to 22 form part of these financial statements.

**DEVELOPMENT ACADEMY OF THE PHILIPPINES**  
**STATEMENT OF INCOME AND EXPENSES**  
For the Year Ended December 31, 2011  
(With corresponding figures for 2010)  
(In Philippine Peso)

	Notes	2011	2010
<b>INCOME</b>			
General income	4.1		
Consultancy/research fees		128,727,928	105,795,140
Income from operation of restaurants/canteen/eateries		43,330,131	35,196,530
Income from operation of dormitories/cottages		28,800,312	20,049,973
Rent income		7,320,348	5,412,963
Other service income		4,489,984	8,167,836
Miscellaneous income		3,478,353	2,074,884
<b>GROSS INCOME</b>		<b>216,147,056</b>	<b>176,697,326</b>
<b>EXPENSES</b>			
Personal services	4.1 21		
Salaries and wages		59,053,028	50,263,156
Other compensation		19,245,972	17,703,359
Personnel benefits contribution		8,003,124	6,920,746
Other personnel benefits		13,354,386	12,349,903
<b>Total Personal Services</b>		<b>99,656,510</b>	<b>87,237,164</b>
Maintenance and other operating expenses	22		
Professional services		59,677,385	51,096,974
Supplies and materials expenses		32,647,616	29,128,966
Utility expenses		18,563,100	18,630,289
Training and scholarship expenses		16,877,536	13,057,060
Non-cash expenses		14,625,627	9,400,353
Travelling expenses		5,982,424	3,041,839
Repairs and maintenance expenses		5,651,085	4,161,666
Communication expenses		4,912,746	4,300,493
Rent expenses		3,707,267	2,661,397
Advertising expenses		1,205,642	863,536
Taxes, insurance premiums and other fees		957,910	845,130
Extraordinary and miscellaneous expenses		446,154	319,139
Other maintenance and other operating expenses		10,098,751	8,370,186
<b>Total Maintenance and Other Operating Expenses</b>		<b>175,353,243</b>	<b>145,877,028</b>
<b>TOTAL EXPENSES</b>		<b>275,009,753</b>	<b>233,114,192</b>
<b>INCOME (LOSS) FROM OPERATION</b>		<b>(58,862,697)</b>	<b>(56,416,866)</b>
Other income (expenses)			
Interest income		17,460,301	8,692,746
Gain/Loss on disposal of assets		103,863	-
Gain on forex		(8,280)	(226,473)
Financial expenses		(3,178)	(32,921)
<b>NET INCOME (LOSS) BEFORE SUBSIDY</b>		<b>(41,309,991)</b>	<b>(47,983,514)</b>
<b>SUBSIDY FROM THE NATIONAL GOVERNMENT</b>	23	<b>43,274,559</b>	<b>49,443,856</b>
<b>NET INCOME</b>		<b>1,964,568</b>	<b>1,460,342</b>

The notes on pages 7 to 22 form part of these financial statements.

**DEVELOPMENT ACADEMY OF THE PHILIPPINES**  
**CASH FLOW STATEMENT**  
**For the Year Ended December 31, 2011**  
(With corresponding figures for 2010)  
(In Philippine Peso)

	Notes	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers		528,573,798	562,588,277
Cash paid to suppliers and employees		(509,332,954)	(596,514,572)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		<b>19,240,844</b>	<b>(33,926,295)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net proceeds from investments maturities		34,429,641	154,018,135
Proceeds of matured/placements in treasury bonds		-	55,517,151
Placements in short-term investments	4.5/10	(22,697,373)	(181,486,449)
Acquisition of property, plant and equipment	11	(34,707,764)	(52,722,598)
Interest income		4,976,092	5,816,149
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(17,999,404)</b>	<b>(18,857,612)</b>
<b>UNREALIZED FOREIGN EXCHANGE GAIN (LOSS)</b>	<b>4.2</b>	<b>36,683</b>	<b>(492,497)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>1,278,123</b>	<b>(53,276,404)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>		<b>34,377,876</b>	<b>87,654,280</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>5</b>	<b>35,655,999</b>	<b>34,377,876</b>

The notes on pages 7 to 22 form part of these financial statements.