



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 (DAP)**, which comprise the balance sheet as of December 31, 2010, 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 Comments and Observations No. 7, the accuracy and validity of the Property, Plant and Equipment account balances as of December 31, 2010 amounting to P79.091 million is doubtful because it is not reconciled with the physical inventory report balances totaling P72.669 million or a discrepancy of P6.422 million.

Qualified Opinion

In our opinion, except for the effects on the financial statements of the matters described in the Basis for Qualified Opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the Development Academy of the Philippines as of December 31, 2010, and its financial performance and its cash flows for the year then ended in accordance with State accounting principles.

COMMISSION ON AUDIT


SHIRLEY S. CADIANG

Supervising Auditor

Cluster C, Corporate Government Sector

June 28, 2011

DEVELOPMENT ACADEMY OF THE PHILIPPINES
BALANCE SHEET
December 31, 2010
(With corresponding figures for 2009)
(In Philippine Peso)

	Notes	2010	2009 (As restated)
ASSETS			
Current Assets			
Cash and cash equivalents	4.2/5	34,377,876	87,654,280
Investments	4.5/10	163,569,584	89,693,070
Trade and other receivables - net	4.3/6	77,802,901	55,180,842
Inventories - net	4.4/7	4,333,598	3,840,832
Prepaid expenses	8	17,916,788	19,518,387
Other current assets	9	1,954,248	662,483
TOTAL CURRENT ASSETS		299,954,995	256,549,894
Non-current Assets			
Investments	4.5/10	20,679,929	119,322,568
Property and equipment - net	4.6/11	128,844,847	106,728,396
Other non-current assets	12	4,566	4,566
TOTAL NON-CURRENT ASSETS		149,529,342	226,055,530
TOTAL ASSETS		449,484,337	482,605,424
LIABILITIES AND EQUITY			
Current Liabilities			
Payables	13	55,620,213	94,476,265
Inter-agency payables	14	13,555,670	14,538,765
Other payables	15	37,381,693	31,324,797
TOTAL CURRENT LIABILITIES		106,557,576	140,339,827
Non-current Liabilities			
Deferred credits	16	65,471,005	69,042,793
Other long-term liabilities	17	22,981,286	20,208,676
TOTAL NON-CURRENT LIABILITIES		88,452,291	89,251,469
TOTAL LIABILITIES		195,009,867	229,591,296
EQUITY		254,474,470	253,014,128
TOTAL LIABILITIES AND EQUITY		449,484,337	482,605,424

The notes on pages 7 to 21 form part of these financial statements.

DEVELOPMENT ACADEMY OF THE PHILIPPINES
STATEMENT OF INCOME AND EXPENSES
For the Year Ended December 31, 2010
(With corresponding figures for 2009)
(In Philippine Peso)

	Notes	2010	2009
INCOME			
General income	4.1		
Consultancy/research fees		105,795,140	71,752,912 \
Income from operation of restaurants/canteen/eateries		35,196,530	32,087,332 \
Income from operation of dormitories/cottages		20,049,973	17,143,695 \
Rent income		5,412,963	4,942,525 \
Other service income		8,167,836	5,563,655 \
Miscellaneous income		2,074,884	1,359,640 \
GROSS INCOME		176,697,326	132,849,759 \
EXPENSES			
Personal services	4.1 21		
Salaries and wages		50,263,156	35,216,407 \
Other compensation		17,703,359	14,580,659 \
Personnel benefits contribution		6,920,746	4,841,774 \
Other personnel benefits		12,349,903	8,494,765 \
Total Personal Services		87,237,164	63,133,605 \
Maintenance and other operating expenses	22		
Professional services		51,096,974 \	53,626,210 \
Supplies and materials expenses		29,128,966 \	25,735,310 \
Utility expenses		18,630,289 \	13,630,491 \
Training and scholarship expenses		13,057,060 \	10,546,028 \
Non-cash expenses		9,400,353 \	9,288,087 \
Communication Expenses		4,300,493 \	4,154,231 \
Repairs and maintenance expenses		4,161,666 \	1,619,928 \
Travelling Expenses		3,041,839 \	3,367,472 \
Rent expenses		2,661,397 \	2,360,422 \
Advertising Expenses		863,536 \	1,649,086 \
Taxes, insurance premiums and other fees		845,130 \	1,041,586 \
Extraordinary and Miscellaneous Expenses		319,139	393,832 \
Other maintenance and operating expenses		8,370,186	8,641,340 \
Total Maintenance and Other Operating Expenses		145,877,028	136,054,023 \
TOTAL EXPENSES		233,114,192	199,187,628 \
INCOME (LOSS) FROM OPERATION		(56,416,866)	(66,337,869)
Other income (expenses)			
Interest income		8,692,746	9,881,773 \
Gain/Loss on disposal of assets		-	(687,020) \
Gain on forex		(226,473)	(187,615) \
Financial Expenses		(32,921)	-
NET INCOME (LOSS) BEFORE SUBSIDY		(47,983,514)	(57,330,731) \
SUBSIDY FROM THE NATIONAL GOVERNMENT	23	49,443,856	58,413,517
NET INCOME		1,460,342	1,082,786

The notes on pages 7 to 21 form part of these financial statements.

DEVELOPMENT ACADEMY OF THE PHILIPPINES
CASH FLOW STATEMENT
For the Year Ended December 31, 2010
(With corresponding figures for 2009)
(In Philippine Peso)

	Notes	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		562,588,277	259,846,648
Cash paid to suppliers and employees		(596,514,572)	(252,168,983)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		(33,926,295)	7,677,665
CASH FLOWS FROM INVESTING ACTIVITIES			
Net proceeds from investments maturities		154,018,135	-
Proceeds of matured/placements in treasury bonds		55,517,151	(20,000,000)
Placements in short-term investments		(181,486,449)	-
Acquisition of property, plant and equipment		(52,722,598)	(27,701,417)
Interest income		5,816,149	9,887,251
NET CASH USED IN INVESTING ACTIVITIES		(18,857,612)	(37,814,166)
CASH FLOWS FROM FINANCING ACTIVITIES			
National Government donated capital	19	-	20,000,000
NET CASH PROVIDED BY FINANCING ACTIVITIES		-	20,000,000
UNREALIZED FOREIGN EXCHANGE GAIN (LOSS)		(492,497)	(187,615)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(53,276,404)	(10,324,116)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		87,654,280	97,978,396
CASH AND CASH EQUIVALENTS, END OF YEAR	5	34,377,876	87,654,280

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