

NATIONAL HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION

The National Housing Authority (NHA) is a government-owned and/or controlled corporation, duly organized and established by virtue of Presidential Decree No. 757 dated July 31, 1975, as amended by Executive Order No. 90, dated December 17, 1986. It operates under the policy and administrative supervision of the Housing and Urban Development Coordinating Council (HUDCC). It is the primary government agency in charge of providing housing assistance to the lowest 30% of urban population through slum upgrading, squatter relocation, development of sites and services and construction of core housing units.

Republic Act No. 7279, otherwise known as the Urban Development and Housing Act (UDHA) was enacted on March 24, 1992 mandating the NHA to provide technical and other forms of assistance to local government units.

Republic Act No. 7835, otherwise known as the Comprehensive and Integrated Shelter Financing Act (CISFA) was approved on December 16, 1994 mandating the NHA to implement the components of the National Shelter Program: resettlement, medium-rise public and private housing, cost recoverable program and local housing.

Executive Order No. 195 was issued on December 31, 1999 mandating the NHA to focus on socialized housing.

In 2004, Administrative Order No. 111 dated November 8, 2004 was issued by the President directing NHA as lead agency in the implementation of the Rail-related Relocation and Resettlement Program.

Administrative Order No. 9 issued on April 11, 2011, directed the NHA to lead the implementation of the Armed Forces of the Philippines/Philippine National Police (AFP/PNP) Housing Program. In March 2011, NHA Board Resolution No. 5314 was issued for the implementation of the President's Housing Project for the AFP/PNP personnel.

The registered office address of the NHA is Elliptical Road, Diliman, Quezon City with branch offices within Metro Manila and in various regions of the country. The Authority is under the Office of the President and shall exist for fifty (50) years but maybe extended.

As of December 31, 2011, the NHA has a total of 1,418 employees.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The financial statements of the NHA are composed of the accounts of the NHA-owned funds and the Comprehensive and Integrated Shelter Financing Act (CISFA) fund which are consolidated quarterly. CISFA funds were released by the Bureau of Treasury for the Local Housing Program and the Medium-Rise Public and Private Housing.

No set of books are being maintained in the provincial, district and project offices. Cash Receipts Register together with copies of Official Receipts and deposit slips are being prepared for collections and the same are submitted to the NHA Accounting Department for recording. Likewise, Monthly Summary of Expenses is submitted together with copies of disbursements and supporting documents for recording.

Change in Government Accounting System

In compliance with COA Circular No. 2004-001, dated May 7, 2004 and COA Circular Letter No. 2004-002, dated April 29, 2004, bearing on the guidelines and procedures on the adoption of the Chart of Accounts under the New Government Accounting System (NGAS) by Government-Owned and/or Controlled Corporations (GOCCs), the NHA implemented the new system effective October 1, 2005. The balances of accounts as of September 30, 2005 were converted to the prescribed chart of accounts.

COA Circular No. 2008-001, dated January 29, 2008, the Revised Philippine Government Chart of Accounts (PGCA) is issued to prescribe the use of a more comprehensive Chart of Accounts to respond to the information needs of government agencies in implementing the New Government Accounting System (NGAS). The NHA reclassified all account balances in the Trial Balance as of March 31, 2008 to the revised chart of accounts.

The Financial Statements as of December 31, 2011 were presented in accordance with the New Government Accounting System (NGAS) to comply with COA Circular No. 2008-03, dated December 24, 2008.

Cash and Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are temporary investments in Treasury Bills with the Bureau of Treasury with maturities of three months or less. Petty cash funds are maintained under the imprest system.

Investments in Securities

Treasury bills with more than 91 days maturity period are classified under Investments in Securities. The investments are recorded at acquisition cost and the interest earned therein is recorded upon maturity.

Inventories

Inventories in the form of housing projects completed and undergoing development are valued at construction cost plus pre-development costs and expenses for design and supervision. Acquired assets, which represent foreclosed properties, are valued at the total amount due from such account at the time of foreclosure plus all incidental expenses such as legal fees and foreclosure expenses. Supplies & materials are valued at cost using the moving average method.

Receivables

Receivables are stated at face value, except for rental receivables which are net of allowance for doubtful accounts.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is based on estimated collectability of rental receivable balances. Higher rate of allowance is provided for long-outstanding accounts based on the aging report as follows: 4 to 6 months, 10%; 7 to 12 months, 20%; over 1 year to 3 years, 30%; over 3 years to 5 years, 40%; and over 5 years, 50%.

Allowance for doubtful accounts were set up for dormant receivables from local government units, loans receivable, due from GOCCs, LGUs, and NGAs.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation. Significant improvements are capitalized, while cost of maintenance and repairs are charged to expense. When property is disposed, the cost and the related accumulated depreciation are eliminated. Any gain or loss resulting from such disposal is credited or charged to current operations.

Depreciation

Depreciation is computed using the straight-line method, which recognizes equal periodic charges over the estimated lives of the assets ranging from 5 to 30 years. Estimated salvage value pegged at ten percent (10%) of the acquisition cost is deducted before dividing the same by the estimated useful life. This is in accordance with COA Circular No. 2003-007, dated December 11, 2003.

Recognition of Liability

Liability is recognized at the time goods are accepted, services are rendered and when supplier/creditor bills are received.

Borrowing Costs

Borrowing costs for loans used in completed projects are charged to expense while borrowing costs for loans invested in joint venture projects are being capitalized or charged to Investment in Joint Venture account.

Taxes and Licenses

Under Republic Act No. 7279, the NHA is exempted from national taxes on sale, exchange or other disposition of real properties under the socialized housing program.

However, NHA is not exempted from the 20% final withholding tax on interest from currency bank deposits, yield, or any other monetary benefits from deposit substitutes, trust funds, and similar arrangements and royalties; and income taxes from transactions not directly related to socialized housing.

Recognition of Income and Expenses

The NHA adopts the modified accrual basis of accounting. All expenses are recognized when incurred and reported in the financial statements in the period to which they relate. Income is recognized at the time it is earned and is regarded as applicable to the period in which it is realized.

Time-based accrual policy is being used for uncollected interest. Under this policy, an account shall be accrued for a period of one year only and there will be an automatic stoppage of accruals once the subject account becomes more than one year delinquent.

Functional and Presentation Currency

The financial statements of the NHA have been prepared using the historical cost basis and are presented in Philippine peso, which is the NHA's functional and presentation currency.

Foreign Currency Transactions

The NHA converts into local currency its foreign currency-denominated transactions using, whenever appropriately applicable, the average and actual foreign exchange rate prevailing during the month and date of transaction, respectively. Monetary assets and liabilities that are denominated in foreign currencies are restated using the closing exchange rate at reporting date. Foreign exchange gains and losses arising from foreign currency fluctuations are recognized in profit or loss for the period.

3. CASH AND CASH EQUIVALENTS

The account consists of:

| | 2011 | 2010 |
|---------------------|----------------------|---------------|
| Cash on Hand | | |
| Collecting Officers | 6,917,115 | 4,355,694 |
| Disbursing Officers | 38,124,568 | 40,327,883 |
| Petty Cash Fund | 151,021 | 149,412 |
| Cash in Bank | | |
| Current | 1,918,657,483 | 393,144,496 |
| Savings | 49,317,112 | 32,926,981 |
| Time Deposit | 1,826,036,510 | 1,357,956,483 |
| | 3,839,203,809 | 1,828,860,949 |

Cash Disbursing Officers account includes cash advances for special purpose.

4. RECEIVABLES

This account is composed of the following:

| | 2011 | 2010 |
|-------------------------------------|----------------------|---------------|
| Accounts Receivable | | |
| Receivables – Cash Sales | 1,010,931 | 588,186 |
| Rental Receivables | 2,343,447,331 | 2,596,473,521 |
| Receivables – Mortgage Sales | 6,256,558 | 4,690,278 |
| Receivables – Installment Sales | 952,663,497 | 874,876,278 |
| Due from Officers and Employees | 475,621 | 242,516 |
| Loans Receivable | | |
| LGUs | 20,597,685 | 10,672,693 |
| Others | 198,614,711 | 56,037,645 |
| Interest Receivable | 44,690,026 | 83,435,961 |
| Due from | | |
| NGAs | 76,864,397 | 60,052,024 |
| GOCCs | 10,840,102 | 8,872,330 |
| LGUs | 46,649,225 | 23,904,934 |
| NGOs/POs | 2,400,000 | 978,673 |
| Receivables – Disallowances/Charges | 2,240,961 | 2,240,961 |
| Other Receivables | 41,423,850 | 32,282,100 |
| | 3,748,174,895 | 3,755,348,100 |
| Allowance for Doubtful Accounts | (272,931,191) | (280,833,546) |
| | 3,475,243,704 | 3,474,514,554 |

Accounts Receivable represents the current portion due from beneficiaries in various housing projects. The amount of P1,998 million pertains to Rental Receivables from

DOTC for the lease of the North Triangle property covered by a Contract of Lease executed in April 1998. In March 2007, DOTC, NHA and MRT Development Corporation executed a Memorandum of Agreement and Assignment Agreement wherein DOTC assigned its Depot Development Rights Payment due from MRT Development Corporation and authorizes the latter to remit the same to NHA. The NHA receives monthly remittance from MRT based on Depot DRP schedule starting July 2007.

Interest Receivable pertains to accrued interest on Installment Sales from accounts with 1 year arrearages per Aging Report.

Due from LGUs and Due from NGAs are advances made by the NHA to the different government units which are subject to liquidation supported by the Statement of Obligations and Disbursements, duly certified by the City Treasurer, approved by the City Mayor and verified and audited by the Auditor of the City.

Due from NGOs/POs are advances made to various Electric Cooperatives for the installation of lighting facilities.

Other Receivables include receivable from various joint venture partners, beneficiaries for water and electric services, MERALCO meters and service deposits, real estate tax and administrative fees charged to the Northrail/Southern Projects.

The allowance covers the doubtful accounts from beneficiaries' rental accounts.

5. INVENTORIES

The account consists of the following:

| | 2011 | 2010 |
|--|-----------------------|----------------|
| Merchandise Inventory/ Items for Sale or Transfer | 7,559,053,590 | 7,957,736,678 |
| Construction in Progress | | |
| Housing Units | 2,194,679,885 | 2,188,287,180 |
| Resettlement Project | 1,527,703,554 | 1,683,332,533 |
| Sites and Services | 228,148,396 | 261,681,160 |
| Slum Upgrading | 29,939,270 | 22,659,234 |
| Office Supplies Inventory | 4,954,704 | 3,390,830 |
| Drugs and Medicine Inventory | 126,985 | 121,761 |
| Other Supplies Inventory | 1,713,727 | 831,126 |
| | 11,546,320,111 | 12,118,040,502 |

Merchandise Inventory/Items for Sale or Transfer represent the cost of completed projects available for disposition/sale. These also include properties acquired from beneficiaries who failed to pay their accounts.

Construction in Progress pertains to the cost of on-going projects of the NHA. In 2012, a portion of the account totaling P2.391 billion representing terminated/suspended projects and project under litigation were reclassified to appropriate accounts.

6. PREPAYMENTS

The account consists of the following:

| | 2011 | 2010 |
|-------------------------|-------------------|------------|
| Advances to Contractors | 12,693,908 | 10,617,861 |
| Prepaid Insurance | 555,308 | 470,936 |
| | 13,249,216 | 11,088,797 |

Advances to Contractors are mobilization fee equivalent to 15% of the contract cost. Dormant accounts amounting to P16.622 million were reclassified to Other Non-Current Assets.

7. LONG-TERM RECEIVABLES

This account is composed of the long-term portion of the following receivables:

| | 2011 | 2010 |
|---------------------------------|-----------------------|----------------|
| Installment Sales | | |
| NHA – Owned Fund | 5,503,517,746 | 5,243,056,573 |
| CISFA Fund | 280,173,036 | 151,076,631 |
| Loans Receivable – Others | | |
| NHA – Owned Fund | 15,117,661,149 | 12,408,737,199 |
| CISFA Fund | 73,089,658 | 72,871,373 |
| Loans Receivable – LGUs | | |
| NHA – Owned Fund | - | 278,806 |
| CISFA Fund | 182,335,457 | 175,988,839 |
| Due from LGUs | 37,742,250 | 43,548,750 |
| Due from NGAs | 223,754,680 | 161,875,248 |
| | 21,418,273,976 | 18,257,433,419 |
| Allowance for Doubtful Accounts | (19,534,124) | (19,534,124) |
| | 21,398,739,852 | 18,237,899,295 |

Receivable from Installment Sales represents the principal amount not yet due from customers arising from the sale of real estate investments.

Loans Receivable – Others consist of loans granted to beneficiaries under the Northrail/Southrail Relocation Program and other loans, such as employees housing and car loans and other loans granted to beneficiaries, like commercial and industrial

loan, housing material loans, small business loans and community mortgage program loans. The account also includes Comprehensive Integrated Shelter Financing Act (CISFA) funds granted to various water districts, cooperatives and community associations for the implementation of socialized housing projects in urban and urbanizable areas in all congressional districts.

Loans Receivable – LGUs pertain to loans granted to various local government units under the local housing program of the CISFA funds.

8. INVESTMENTS

This account consists of the following:

| | 2011 | 2010 |
|--|----------------------|---------------|
| Investments in Stocks | 1,403,025,000 | 1,403,005,000 |
| Investments in Bonds | 969,500 | 969,500 |
| Other Long-Term Investments and Marketable Securities | 6,233,377,540 | 6,261,287,851 |
| | 7,637,372,040 | 7,665,262,351 |

Investments in Stocks pertain to the P1.403 billion Smokey Mountain Project Participating Certificates issued to the NHA by the Smokey Mountain Asset Pool representing the redemption value of NHA's share in the Smokey Mountain Development and Reclamation Project in payment for the lot owned by NHA. This is non-interest bearing and has no maturity. The increase of P20,000 was due to reclassification of PLDT stock certificates from Guaranty Deposit account to Investments in Stocks account.

Investments in Bonds represent the P0.970 million various Land Bank Bonds with maturity date of 25 years. No redemption has been made for the matured bonds in view of garnishment.

Other Long-Term Investments and Marketable Securities represent the NHA's equity on various joint venture projects:

| | |
|-------------------------------------|----------------------|
| Urban Triangle Development Project | 6,128,414,530 |
| Zamboanga Teacher's Village Housing | 10,251,491 |
| AFP Military Housing | 13,429,077 |
| CBD II Housing Project | 7,000,000 |
| Canduman Resettlement Project | 5,049,934 |
| Kadayawan Homes | 4,355,582 |
| Seabreeze Housing | 3,946,883 |
| Various Joint Venture Projects | 10,173,934 |
| CISFA | 50,756,109 |
| Total | <u>6,233,377,540</u> |

9. LAND ASSEMBLY FOR FUTURE PROJECTS

Land Assembly for Future Projects represents costs of undeveloped lots in the following areas acquired for future development:

| | 2011 | 2010 |
|----------------------------|----------------------|---------------|
| Northern and Central Luzon | 590,401,395 | 603,241,817 |
| Visayas | 177,917,576 | 177,917,576 |
| Southern Luzon and Bicol | 158,614,271 | 158,614,271 |
| Mindanao | 86,259,028 | 88,393,175 |
| National Capital Region | 84,519,932 | 78,959,975 |
| | 1,097,712,202 | 1,107,126,814 |

10. PROPERTY AND EQUIPMENT

The roll-over analysis for the account is shown below (amount in thousand pesos):

| | Land and Land Improve- ments | Building and Structures | Office Equipment, Furniture and Fixtures | Machineries Equipment | Transportatio n Equipment | Total |
|--------------------------------------|---------------------------------------|-------------------------------|--|--------------------------|------------------------------|------------------|
| <i>As of December 31, 2010</i> | | | | | | |
| Cost: | | | | | | |
| Beginning balance | 722,338 | 233,130 | 117,744 | 25,139 | 60,717 | 1,159,068 |
| Additions | - | - | 8,097 | 766 | 35,100 | 43,963 |
| Disposal/Retirements/ Adjustments | (4,896) | (1,334) | (3,493) | (455) | (527) | (10,705) |
| | 717,442 | 231,796 | 122,348 | 25,450 | 95,290 | 1,192,326 |
| Accumulated Depreciation: | | | | | | |
| Beginning balance | 777 | 198,560 | 76,861 | 24,205 | 54,949 | 355,352 |
| Charges for Prior Year | - | 2,016 | 9,804 | 325 | 4,023 | 16,168 |
| Disposal/Retirements/ Adjustments | - | - | (2,470) | (424) | (527) | (3,421) |
| | 777 | 200,576 | 84,195 | 24,106 | 58,445 | 368,099 |
| Net Book Value | 716,665 | 31,220 | 38,153 | 1,344 | 36,845 | 824,227 |
| <i>As of December 31, 2011</i> | | | | | | |
| Cost: | | | | | | |
| Beginning balance | 717,442 | 231,796 | 122,348 | 25,450 | 95,290 | 1,192,326 |
| Additions | 3,300 | 4,470 | 5,829 | 376 | 3,145 | 17,120 |
| Disposal/Retirements/ Adjustments | 30,313 | 176,429 | (4,947) | 327 | (5,740) | 196,382 |
| | 751,055 | 412,695 | 123,230 | 26,153 | 92,695 | 1,405,828 |
| Accumulated Depreciation: | | | | | | |
| Beginning balance | 777 | 200,576 | 84,195 | 24,106 | 58,445 | 368,099 |
| Charge for the Year | - | 1,637 | 10,774 | 457 | 6,544 | 19,412 |
| Disposal/Retirements/ Adjustments | - | (19,189) | (3,713) | (82) | 1,330 | (21,654) |
| | 777 | 183,024 | 91,256 | 24,481 | 66,319 | 365,857 |
| Net Book Value | 750,278 | 229,671 | 31,974 | 1,672 | 26,376 | 1,039,971 |

11. OTHER NON-CURRENT ASSETS

This account consists of the following:

| | 2011 | 2010 |
|---|----------------------|---------------|
| Restricted Fund/Cash | | |
| Deposit Held-in-Trust | 216,296,132 | 412,476,216 |
| Deposit for Expropriation | 41,101,118 | 66,169,874 |
| Deposit Held-in-Escrow | 32,187,367 | 12,611,261 |
| Guaranty Deposits | 79,629,198 | 79,477,348 |
| Rental Deposits | 1,443,064 | 1,443,064 |
| Advances to Contractors | 16,622,323 | 57,770,178 |
| Investment in Trustek | 35,000,000 | 35,000,000 |
| Accounts Receivable | 187,233,497 | 204,629,531 |
| Loans Receivable | 253,371,460 | 262,228,822 |
| Due from LGUs | 49,212,398 | 44,553,536 |
| Due from GOCCs | 16,746,793 | 18,449,630 |
| Due from NGOs/POs | 3,921,935 | 2,967,828 |
| Due from NGAs | 2,478,582 | 2,228,845 |
| Other Receivables | 6,851,205 | 7,488,163 |
| Miscellaneous Assets | 97,349 | 395,748 |
| Unserviceable Office Equipment/ Furniture and Fixtures | 105,622 | 107,213 |
| | 942,298,043 | 1,207,997,257 |
| Allowance for Doubtful Accounts | (28,465,580) | (46,971,046) |
| | 913,832,463 | 1,161,026,211 |

Deposits Held-in-Trust are collections from housing projects turned-over by other government agencies for administration of NHA, wherein such collection to the funding agency are to be remitted to the Bureau of Treasury as the case maybe.

Deposits for Expropriation are deposits for land expropriation cases filed in court.

Deposit Held-in-Escrow pertains to deposits intended for joint venture projects.

Guaranty Deposits include deposits made to National Home Mortgage Finance Corporation for mortgage take-out loans of various NHA beneficiaries without individual lot titles. These also include deposits to *MERALCO, MWSS, various water districts, etc.* made for various NHA housing projects and offices for electric and water service connections.

Rental Deposits are advances made for the use of spaces for Project Offices.

Advances to Contractors represent the 15% advance payment for mobilization not yet recouped due to termination/suspension or rescission of contract.

Investment in Trustek represents investment in the joint venture with Trustek Conclad Aus-Phil., Inc. The joint venture was terminated and the machineries and equipment which are idle are in the custody of the NHA.

Accounts Receivable represents Receivable from Mortgage Sales which are dormant from 1994 to 2003.

Loans Receivable includes bridge financing to Joint Venture partners who are non-moving for five (5) years or more.

Due from NGAs/LGUs/GOCCs represent receivables and advances made to different government units wherein Audited Statement of Disbursements is not yet submitted to record the liquidation.

Due from NGOs and POs are advances made to Electric Cooperatives which remained outstanding to date.

Miscellaneous Assets refer to cash in bank accounts on hold by the bank due to garnishment issued by the court.

Updates on Garnishment/Deliveries:

A portion of Restricted Fund/Cash – Deposit Held-in-Escrow in the amount of P19.433 million under LBP Trust Account No. 14-169A is currently on hold due to the garnishment issued by the court in favor of First United Construction Corporation (FUCC). A total of P147.895 million from NHA account was already released to FUCC in March 2007 in partial satisfaction of court decision dated January 7, 2005. NHA's advances to FUCC pertaining to unrecouped mobilization fee in the amount of P38.039 million was deducted from the former's claim against the NHA.

12. PAYABLES

This account includes the following:

| | 2011 | 2010 |
|-------------------------------|--------------------|-------------|
| Accounts Payable | 34,488,266 | 23,979,391 |
| Dividends Payable | 34,040,910 | 19,433,468 |
| Due to Officers and Employees | 837,273 | 5,844,209 |
| Interest Payable | 350,966,101 | 257,420,094 |
| | 420,332,550 | 306,677,162 |

The increase in *Accounts Payable* was mainly due to the accrual of cost of audit services for 2011 amounting to P9.518 million.

The increase of P14.607 million in *Dividends Payable* refers to the unremitted dividends pertaining to the net profit for CY 2011. The amount shall be remitted to

the National Government upon issuance of the Annual Audit Report of the Commission on Audit for the same year.

The decrease in *Due to Officers and Employees* in the amount of P5.007 million pertains to payment/release of salaries, allowances, and benefits withheld from Accountable Officers upon liquidation of their cash advances.

The increase in *Interest Payable* was due to accrual of interest on mortgage payable to Home Development Mutual Fund of P93.454 million and on loans payable to the Bureau of Treasury amounting to P91,257.68.

13. INTER-AGENCY PAYABLES

This account consists of the following:

| | 2011 | 2010 |
|---|----------------------|---------------|
| Due to BTr (Main/CISFA Funds) | 2,329,925,939 | 2,288,410,409 |
| Due to Other GOCCs | | |
| Public Estate Authority (PEA) | 106,113,641 | 102,851,237 |
| Air Transportation Office (ATO) | 90,227,069 | 75,367,840 |
| BCDA-Villamor Airbase/ Philippine Centennial | 35,022,208 | 29,308,689 |
| Others | 73,616,738 | 54,148,317 |
| Due to LGUs | 84,326,280 | 83,932,079 |
| Due to BIR | 11,611,556 | 13,767,628 |
| Due to GSIS | 535,816 | 696,525 |
| Due to Pag-IBIG | 2,004,270 | 1,800,889 |
| Due to Philhealth | 334,639 | 321,438 |
| Due to Other NGAs | 81,405,103 | 20,748,861 |
| | 2,815,123,259 | 2,671,353,912 |

Due to BTr represents the funds released by the National Government for Medium-Rise Public and Private Housing and Local Housing Program as mandated in the CISFA of 1994 totaling P2.321 billion and the P9.096 million land value of Dumagok Resettlement Project turned over to NHA under Presidential Proclamation No. 589. The National Government shall be reimbursed by the BTr after the final payment of the areas reserved for socialized housing purposes by the qualified beneficiaries.

Due to Other GOCCs mainly represent collections from various housing projects covered by Trust Agreements such as PEA-Pabahay, ATO-Civil Aeronautics Administration, Pasig River Rehabilitation Commission (Kasiglahan 1 to 5 Project), BCDA (Philippine Centennial Village), increased by P32.601 million in 2011. Payable to NHMFC also registered an increase of P40.323 million as a result of reclassification of Other Payables – NHMFC to Due to Other GOCCs. Various accounts with abnormal/negative balances amounting to P2,031,532, increased by 135% or

P1,165,913 compared to last year's amount of P865,619, also due to reclassifications made from Other Payables to Due to Other GOCCs.

Due to LGUs pertain to collections from various Zonal Improvement Project (ZIP) projects for remittance to LGUs based on Metro Manila Commission Memorandum which was for adjustment in the books to be treated as payment of the beneficiaries.

Due to BIR, GSIS, Pag-IBIG and Philhealth represent personal/corporate contribution/loan repayment, withholding taxes for remittance to said agencies.

Due to Other NGAs and GOCCs are mostly funds entrusted to NHA for special purposes.

14. LOANS PAYABLE

This account consists of the following:

A. Loans from the National Government

| Creditor/Project | Date of Loan | Maturity Date | Terms of Payment | Interest Rate | 2011 | 2010 |
|--|--------------|---------------|------------------|---------------|--------------------|-------------|
| <i>IBRD-Urban III</i> -LA#1821 \$29,435,099 P335,493,245 | 6/21/1980 | 12/15/1999 | Semi-Annual | 8.25% | 97,001,686 | 97,001,686 |
| | | | No Loan | | | |
| <i>IBRD-Urban III</i> -LA#2067 \$25,452 P241,002 | 2/24/1982 | - | Agreement | 11.60% | 241,002 | 241,002 |
| <i>KFW-DBB</i> -LA#1937952 DM 9,701,614 P38,376,338 | 10/15/1982 | 6/30/2012 | Semi-Annual | 2% | 4,758,708 | 9,097,884 |
| <i>KFW-DDDP</i> -LA#1934287 DM 12,630,393 P102,129,542 | 4/10/1987 | 6/30/2012 | Semi-Annual | 2% | - | 19,796,709 |
| GOP Portion- Urban III | 1980 -1982 | - | | | 240,748,000 | 240,748,000 |
| | | | | | 342,749,396 | 366,885,281 |

B. Loans from Government-Owned and Controlled Corporations (GOCCs)

| | | | | | | |
|---|--|--|-------------|--|-----------------------|---------------|
| Social Housing Finance Corporation (SHFC) | | | | | 200,000,000 | 200,000,000 |
| North Luzon Railways Corporation (NLRC) | | | | | 130,000,000 | 130,000,000 |
| Home Development Mutual Fund (HDMF) | | | | | 412,500,000 | 412,500,000 |
| | | | | | 742,500,000 | 742,500,000 |
| | | | | | 1,085,249,396 | 1,109,385,281 |
| Current Portion | | | | | | |
| <i>National Government:</i> | | | | | | |
| KFW -DBB- LA 1937952 | | | | | (4,758,708) | (27,296,650) |
| <i>GOCCs</i> | | | | | | |
| HDMF | | | 412,500,000 | | | |
| SHFC | | | 200,000,000 | | | |
| NLRC | | | 130,000,000 | | (742,500,000) | (742,500,000) |
| | | | | | (747,258,708) | (769,796,650) |
| | | | | | 337,990,688 | 339,588,631 |

IBRD-Urban III - LA#1821 pertains to the loan to be assumed by MWSS for water systems funded by the World Bank under the Zonal Improvement Projects that is subject to issuance of a negative Advice of Allotment by the Bureau of the Treasury.

IBRD-Urban III - LA#2067 represents Urban Engineering Loan of NEDA for technical assistance to Kinhill Proprietary Ltd. No payment has been made for this loan because no billings were received since its grant in 1982.

KFW Loan, DBB LA#1937452, DDDP LA#1934287, Government of the Philippines (GOP) portion Urban III and Urban III LA#2067 are for offsetting against Receivables from Philippine Drug Enforcement Agency (PDEA) as provided in the 2007 GAA.

GOP Portion - Urban III loan represents NHA's 5% share in the total cost for ZIP and Sites and Services Project (SSP).

The loan granted by the Home Development Mutual Fund is secured by NHA property located in Calauan, Laguna.

15. OTHER CURRENT LIABILITIES

This is composed of the following:

| | 2011 | 2010 |
|-----------------------------------|----------------------|---------------|
| Guaranty Deposits Payable | 506,405,739 | 404,072,583 |
| Performance/Bidders Bonds Payable | 14,268,840 | 13,481,716 |
| Tax Refunds Payable | 411,115 | 1,853,832 |
| Other Payables | 1,498,921,945 | 1,153,958,769 |
| | 2,020,007,639 | 1,573,366,900 |

Guaranty Deposits Payable refers to the amount deducted from the progress billing of contractors/developers, to guarantee performance which is refundable upon completion of the project.

Other Payables include: a) proceeds from the mortgage take-out from NHMFC/Home Development Mutual Fund representing NHA and developer's share under joint venture projects; and b) Miscellaneous liabilities/Due to Contractors consisting of amounts received from prospective buyers, tenants, awardees and contractors to guarantee performance of awarded contracts.

As of December 31, 2011, Other Payables account increased by P344.963 million due to additional equity contribution of Ayala Land, Inc. (ALI) for the joint venture project at North Triangle and the amount set-up as payable to First United Construction Corporation (FUCC) based on Entry of Judgment issued by the Supreme

Court, Second Division, on September 15, 2011 and payable to Goldenville Realty Development Corporation.

16. MORTGAGE PAYABLES

This account represents *Mortgage Payables* to Philippine Veterans Bank.

The proceeds of the loan from the Philippine Veterans Bank of P500 million were used to bridge finance acquisition of various lots for the Northrail Relocation Program. This is secured by properties of NHA in Vitas Reclamation Industrial Area (Lot 4C TCT-256032 and Lot 4D TCT-256033) and properties in Pleasant Hills and BLC Pag-asa.

17. OTHER PAYABLES

This account represents contingent liabilities for additional costs to be incurred to complete various projects which are sold although the projects are not yet completed.

18. DEFERRED CREDITS

This account consists of the following:

| | 2011 | 2010 |
|--|----------------------|---------------|
| Deferred Income from Installment Sales | 2,725,780,899 | 2,710,063,352 |
| Depository Liabilities-Beneficiaries | 435,534,320 | 509,373,389 |
| Deferred Profit - Uncollected Claims | 14,788,141 | 14,788,141 |
| Restricted Funds (Smokey Mountain) | 40,656,597 | 34,350,588 |
| | 3,216,759,957 | 3,268,575,470 |

Deferred Income from Installment Sales is the difference between the selling price and cost of sales of lots, houses and lots or units sold.

Depository Liabilities include beneficiaries'/buyers' deposits on lots and titles, unapplied collection and rental deposit from beneficiaries of various NHA projects.

Deferred Profit – Uncollected Claims represents amount due to G & M Realty Construction & Development Corporation, a joint venture partner, out of over expenditure in the project development of the Consuelo Heights Housing Projects in Tuguegarao, Cagayan per Court Decision for Civil Case No. Q 95-24669 dated February 2, 1998 and writ of execution dated March 1, 1999.

Restricted Funds (Smokey Mountain) pertain to the collections from the sale of housing units in the Smokey Mountain Development and Reclamation Project (Now Paradise Heights Housing Project) pending the conveyance to the NHA by Home Guaranty Corporation of the title of the lots.

19. CAPITAL STOCK

The authorized capitalization of the NHA is P5 billion, of which P2.893 billion has been issued by the National Government leaving an unissued capitalization of P2.106 billion.

20. MISCELLANEOUS CAPITAL

This account substantially consists of value of properties received from the national government and private corporations. Details are as follows:

| | 2011 | 2010 |
|--|----------------------|---------------|
| Urban Triangle Development Project | 6,127,219,012 | 6,127,219,012 |
| Vitas Reclamation Project | 1,520,185,412 | 1,520,185,412 |
| Smokey Mountain | 1,403,000,000 | 1,403,000,000 |
| Philippine Centennial Village Project | 242,724,323 | - |
| Monterrazas Subdivision | 117,618,100 | 117,618,100 |
| Lot located in Cebu City | 59,521,772 | 59,521,772 |
| Three (3) lots from the Municipalities of Pasig, Cainta and Taytay | 57,843,696 | 57,880,073 |
| Lots located in Baguio City | 39,025,061 | 39,025,061 |
| Land Cost of Tala I, MRH | 26,209,000 | 26,209,000 |
| Lot from Department of Public Works and Highways | 17,764,646 | 17,764,646 |
| Lot located in Quezon City | 14,513,760 | 14,513,760 |
| Lot in Sta. Ana, Manila from DSWD | 10,826,000 | 10,826,000 |
| Motor Vehicles | 800,500 | 800,500 |
| Land cost – Polo Transmitting Coop Housing | 193,450 | 193,450 |
| Land cost – Maria Orosa and Jorge Bocobo Housing Project | 108,200 | 108,200 |
| Computer | 25,000 | 25,000 |
| | 9,637,577,932 | 9,394,889,986 |

The amount of P6.127 billion pertains to the appraised value of the lot located at the Government Center North Triangle, a joint venture project with Ayala Land, Inc.

The amount of P1.520 billion represents the NHA's share in the Vitas Reclamation Project. The value of the lot is computed based on the total lot area of 253,645 square meters multiplied by P6,000, the existing zonal valuation of lot, less development cost.

The Smokey Mountain certificate represents the value of non-interest bearing participation certificates issued by the Asset Pool due to the conveyance of the Smokey Mountain site and the 79 hectares Manila Bay Foreshore property.

The Philippine Centennial Village Project in Taguig City was transferred by HUDCC to NHA.

The Monterraza property, donated by the Presidential Management Staff covering an area of 88,474 square meters more or less, was transferred to NHA to administer and sell the subject lots to bonafide settlers, as well as acquire and develop alternative sites, for socialized housing as approved by the President on July 7, 1997.

The land located at Barangay Sambag 2 in Cebu City was conveyed by DOH to the NHA per Memorandum of Agreement dated February 4, 1992 and intended for socialized housing in the area.

The three (3) lots in Pasig, Cainta and Taytay with an area of 171.03 hectares more or less, were transferred to NHA during the last quarter of 1999. These lots are intended for socialized housing under Presidential Proclamation No. 458 dated August 29, 1994.

The 8,981.99 square meter lot at P1,940 per square meter in Barangay Lualhati, Baguio amounting to P17.425 million was acquired thru Presidential Decree No. 262 as amended by Presidential Decree No.396 dated March 1989.

A 9,000 square meter lot located in BPI Compound, Cresencia Village in Baguio City amounting to P21.600 million is intended for socialized housing under Presidential Proclamation No. 360 and MOA dated August 05, 1999, OCT No. P-3045 and Special Patent No. 3659.

The amount of P26.209 million represents the cost of the Tala I Medium- Rise Housing (MRH), under Presidential Proclamation No. 843 as amended by R.A. No. 7999 and Proclamation No.366.

The 20,315 square meter lot located in Sta. Ana, Manila, was transferred by the DPWH to NHA under Proclamation No. 848, dated January 14, 1992 as relocation site of the squatters, flood victims and other indigents of Greater Manila area.

The land located at Barangay Katipunan, Quezon City was conveyed by the Local Government of Quezon City per Deed of Reconveyance under Board Resolution No. 4477, dated January 2002 authorizing the conversion of its land use from slaughter house site to residential lot for proper distribution and award to its occupants.

The 10,826 square meter lot, identified as Lots 6 and 11, Block 22 located at Sta. Ana Manila, is covered by TCT No. 234394 and 234399 valued at P1,000 per square meter for Barrio Puso Homeowners Association.

The 3,869 square meter lot valued at P50 per square meter in Karuhatan, Valenzuela, is for proper disposition to the members of Polo Transmitting Community Development Cooperative, Inc.

The motor vehicles were donated by the Japan International Cooperation Agency (JICA) and Kinhill Proprietary Ltd., while the computers were donated by Meiy Construction.

21. SUBSIDY INCOME FROM THE NATIONAL GOVERNMENT

As of December 31, 2011, the NHA received allotment for various projects and relocation/resettlement and AFP/PNP housing amounting to P21.441 billion, as shown below:

| | Advice of Allotment | Cash Received | Balance |
|--|---------------------|---------------|---------------|
| A. Carry Over from prior years obligation-balance | | | |
| 2010: | | | |
| Resettlement and Slum Upgrading for Lands Proclaimed as Socialized Housing Sites | 1,408,479,955 | 1,308,138,000 | 100,341,955 |
| Resettlement project in Irosin, Sorsogon | 31,520,000 | 31,520,000 | - |
| Sub-total | 1,439,999,955 | 1,339,658,000 | 100,341,955 |
| B. 2011 Appropriations | | | |
| Resettlement Program | 4,275,000,000 | 331,682,000 | 3,943,318,000 |
| Armed Forces of the Philippines and Philippine National Police Housing Project | 4,676,100,000 | 3,475,355,000 | 1,200,745,000 |
| Iloilo Resettlement Project | 100,000,000 | - | 100,000,000 |
| North Triangle Relocation Project | 450,000,000 | - | 450,000,000 |

| | Advice of Allotment | Cash Received | Balance |
|---|---------------------|---------------|----------------|
| Housing for Bureau of Fire Protection (BFP) and Bureau of Jail Management and Penology (BJMP) | 500,000,000 | - | 500,000,000 |
| Five-Year Housing Program for Families living along danger areas in Metro Manila | 10,000,000,000 | - | 10,000,000,000 |
| Sub-total | 20,001,100,000 | 3,807,037,000 | 16,194,063,000 |
| Total | 21,441,099,955 | 5,146,695,000 | 16,294,404,955 |

22. CORRECTION OF PRIOR YEARS' ERRORS

This account is broken down as follows:

| | 2011 | 2010 |
|---|----------------------|---------------|
| Prior Years' Debits - | | |
| Adjustments on computation of interest on collection from DOTC from May 2007 to June 2011 | (192,900,871) | - |
| Adjustment on accrued rental and amortization receivable | (107,189,571) | 1,836,913 |
| Various adjustments to income | 66,044,813 | 21,653,382 |
| Prior years' amortization interest, delinquency interest, notarial fees, service fees, miscellaneous income | 50,722,564 | 33,737,405 |
| Prior Years' Credits - | | |
| Maintenance and other operating expenses | (188,839,649) | (241,132,728) |
| Personal services | (1,869,044) | (14,867,626) |
| Subsidy - | | |
| Liquidation of various resettlement projects | (69,872,331) | (53,746,354) |
| Northrail/Southrail relocation projects | (29,434,871) | (81,279,358) |
| | (473,338,960) | (333,798,366) |

23. PENDING CASES IN COURT

As of December 31, 2011, no provision for liability was recognized or taken up in the books for cases in court because the amount cannot be measured reliably, pending court decision.

The following are the list of the NHA pending cases:

| <u>DOCKET NO.</u> | <u>PROPERTY</u> | <u>DESCRIPTION</u> |
|---|--------------------------------|---------------------------|
| NHA vs. A.C. Yulo, et al. Case No. 1355 | Bacolod City | Expropriation case |
| Mandurriao Sites & Services Civil Case No. 4255 | Mandurriao Sites & Services | Expropriation case |
| NHA vs. Bernabe Noble, et al. Case No. 7847 | Lapasan, Cagayan de Oro City | Expropriation case |
| NHA vs. City of Cagayan de Oro, et al. Civil Case No. 7465 | Macabalan, Cagayan de Oro City | Expropriation case |
| NHA vs. Casimiro Tamparong, et al. Civil Case No. 7464 | Puntod, Cagayan de Oro City | Expropriation case |
| NHA vs. Celso delos Angeles, et al. Civil Case No. 39068 | Karangalan, Pasig City | Expropriation case |
| NHA vs. Aurea Abrera, et al. Case No. 58413 RTC, Br. 71, Pasig City C.A. G.R. CV No. 66162 | West Crame, San Juan, M.M. | Expropriation case |
| NHA vs. Elisa Cabrera Luna, et al. Case No. C- 10688 | Bagong Barrio, Caloocan City | Expropriation case |
| NHA vs. Patricia L. Tiongson, et al. CC No. 87- 42018 and CC No. 87- 42019, RTC Br. 41, Manila (CA GR CV No. 37367) | Tambunting, Tondo, Manila | Expropriation case |
| NHA vs. Patricia L. Tiongson, et al. CC No. C- 87-42017 and CC No. 87- 42016, RTC Br. 40, Manila (CA GR CV 37367) | Sunog Apog, Tondo, Manila | Expropriation case |
| NHA vs. Ruperto Marero, et al. Case No. 27933 | Antipolo City | Expropriation case |
| NHA vs. Goldstar Inc. Civil Case No. 26804 | Antipolo City | Expropriation case |

| <u>DOCKET NO.</u> | <u>PROPERTY</u> | <u>DESCRIPTION</u> |
|---|------------------------------------|---------------------------|
| NHA vs. Humberto Villareal, et al. SCA-007-01, RTC Br. 17, Roxas City | Brgy. Poblacion Sur, Ivisan, Capiz | Expropriation case |
| R-II Builders, Inc. (Petitioner) vs. Home Guaranty Corporation, et al. (Respondents) Civil Case No. 08-120402 | Tondo, Manila | Expropriation case |
| NHA vs. Virginia Pabelico, et al. CA GR-CV-70216/Case No. 88-45629 | St. Ana, Manila | Expropriation case |
| NHA vs. Eliseo Aurelio, et al. | Caloocan City | Expropriation case |
| NHA vs. Pedro Baello GR No. 143230 | Caloocan City | Expropriation case |
| NHA vs. Felipe Ilano, Case No. TG | | Expropriation case |
| Marina Reyes, et al. vs. NHA, Civil Case No. Q-92-12093 | | Expropriation case |
| DASMARINAS BAGONG BAYAN | | |
| NHA vs. Sotero Alvaran, Case No. TG-358 (Encabo Property) | | Expropriation case |
| NHA vs. Asislo Toledo (formerly owned by Luciano Austria), Case No. TG-385 & TG-386 | | Expropriation case |
| GRACE PARK SUBDIVISION/BARRIO RODRIGUEZ, CALOOCAN CITY Handled by the Office of the Government Corporate Counsel | | |
| NHA vs. Domingo Lim, et al. CC No. C-6226 GR No. 116176 RTC, Caloocan City | Grace Park Subd., Caloocan City | Expropriation case |
| NHA vs. Julia Diez, et al. CA GR CV No. 10200-10212, GR 110770 | Grace Park Subd., Caloocan City | Expropriation case |

| <u>DOCKET NO.</u> | <u>PROPERTY</u> | <u>DESCRIPTION</u> |
|--|---------------------------------|---------------------------|
| NHA vs. Fermin Manapat CC No. C-6229, RTC, Caloocan City, GR L- 118625, GR 110478, 110482-93 | Grace Park Subd., Caloocan City | Expropriation case |
| NHA vs. Guillermo Batac, Jr., CC No. C-6237, RTC- Caloocan City, CA GR No. 10200-10212 (consolidated) | Grace Park Subd. Caloocan City | Expropriation case |
| NHA vs. Maximo Laberanes, et al. CC No. 6231 RTC-Caloocan City, CA GR No. 10200-10212 | Grace Park Subd. Caloocan City | Expropriation case |
| NHA vs. Cesario Vega, et al. CC No. C-6435, RTC – Caloocan City, CA GR CV 10200-10212 (consolidated) | Grace Park Subd. Caloocan City | Expropriation case |
| NHA vs. Conrado Ng Cinco, CC No. C-6234, RTC-Caloocan City | Grace Park Subd. Caloocan City | Expropriation case |
| NHA vs. Alfredo de Guzman et al. CC No. C- 6255, RTC-Caloocan City, CA GR CV 10200-10212 (consolidated) | Grace Park Subd. Caloocan City | Expropriation case |
| NHA vs. Lucas Salonga CC No. C-6235, RTC-Caloocan City, CA GR CV No. 10200- 10212 (consolidated) | Grace Park Subd. Caloocan City | Expropriation case |
| NHA vs. Dominador Ramos CC No. C-6228, RTC- Caloocan, CA GR CV 10200-10212 (consolidated) | Grace Park Subd. Caloocan City | Expropriation case |
| NHA vs. Aurora Dy-Dela Costa, et al. CC No. C- 6230, RTC – Caloocan City, CA GR CV 10200- 10212 (consolidated) | Grace Park Subd. Caloocan City | Expropriation case |

| <u>DOCKET NO.</u> | <u>PROPERTY</u> | <u>DESCRIPTION</u> |
|--|---------------------------------|--------------------|
| NHA vs. Roman Catholic Archbishop of Manila, CC No. C-6625, RTC-Caloocan City, CA GR CV 10200-10212 (consolidated) | Grace Park Subd. Caloocan City | Expropriation case |
| NHA vs. Carco Motor Sales, Inc. CC No. C-6237, RTC Caloocan City, (consolidated) | Grace Park Subd. Caloocan City | Expropriation case |
| NHA vs. Virginia Castro, et al., CC No. C-6226, RTC-Caloocan City, CA GR CV 27159 CC No. C-6226 | Grace Park Subd. Caloocan City | Expropriation case |
| NHA vs. John C. Lee, CC No. C-6233, RTC-Caloocan City, CA GR CV No. 10200-10212 | Grace Park Subd. Caloocan City | Expropriation case |
| NHA vs. Angelita Puno, CC No. C-6232, RTC-Caloocan City, CA GR CV 10200-10212 | Grace Park Subd. Caloocan City | Expropriation case |
| NHA vs. Juan Puno and Carmencita Cayanan, CC No. C-6238, RTC-Caloocan, CA GR CV 10200-10212 | Grace Park Subd. Caloocan City | Expropriation case |
| NHA vs. Sps. Elias and Inocencia Cuyugan, Juan Puno and Carmencita, CC No. C-6226, RTC-Caloocan City, GR No. 110530-42 | Grace Park Subd. Caloocan City | Expropriation case |
| NHA vs. Carco Motors/Philtrust Bank, CC No. C-6236 | Grace Park Subd., Caloocan City | Expropriation case |

24. SUPPLEMENTARY INFORMATION REQUIRED UNDER BUREAU OF INTERNAL REVENUE REGULATION 15-2010

In compliance to the above regulation, the following taxes and withholding taxes were paid and accrued in CY 2011:

| | |
|--|----------------------|
| Taxes paid in 2011 | |
| On compensation | 56,957,777.52 |
| Others | <u>12,081,194.33</u> |
| Total | <u>69,038,971.85</u> |
| Add: Taxes withheld (to be paid in 2012) | |
| On compensation | 779,811.14 |
| Expanded | 162,022.30 |
| VAT and Other Percentage Tax | <u>375,597.87</u> |
| Total | <u>1,317,431.31</u> |
| Total taxes paid and accrued | <u>70,356,403.16</u> |

25. AUTHORIZATION TO ISSUE FINANCIAL STATEMENTS

The financial statements of NHA for CY 2011 were approved for issuance per Board Resolution No. 5434, dated March 30, 2012.

26. TRUST FUNDS

NATIONAL GOVERNMENT CENTER (NGC)

On March 29, 2005, the Home Guaranty Corporation (HGC) transferred to the NHA the operations and management of the National Government Center (NGC) Housing Project, by virtue of Republic Act No. 9207, otherwise known as the National Government Center Housing and Land Utilization Act of 2003. Under this Act, the NHA was made the trustee of the NGC Housing Project (East and West) excluding those where the Home Guaranty Corporation (HGC) has acquired propriety interest.

The transactions of the National Government Center (NGC) Housing Project are off-book transactions. A separate set of books are being maintained for this trust fund and, therefore, not included in NHA's financial statements. As of December 31, 2011 and 2010, fund resources amounted to P613,599,594 and P581,178,340, respectively.

The NGC Housing Project incurred a net loss of P20,398,000 in December 2011 and P19,490,591 in December 2010 from its operation, with operating expenses of P28,739,834 in December 2011 and P27,724,364 in December 2010 and Gross Receipts of P8,341,833 in December 2011 and P8,233,773 in December 2010.

Prior to its transfer to NHA, the NGC Housing Project came into existence by virtue of Proclamation No. 137, dated August 11, 1987, thereby segregating lands covering more or less 150 hectares from the National Government Center situated at West of Commonwealth Avenue, Quezon City, to be utilized as socialized housing for the beneficiaries living thereat. In April 1998, Proclamation No. 1169 was issued

excluding additional portion of land in the east side (approximately 238 hectares) and declaring the same for development and disposition into a mixed use for government complexes, buildings and offices, socialized housing and other purposes.

PINATUBO PROJECT MANAGEMENT OFFICE (PPMO)

Executive Order No. 552 dated August 1, 2006, mandates the Housing and Urban Development Coordinating Council (HUDCC) to transfer the administration and management of the Mt. Pinatubo Lowland Communities and all other functions performed by the Pinatubo Project Management Office (PPMO) to the NHA.

The NHA shall establish a Trust Fund for the Mt. Pinatubo and maintain a separate set of books independent from the books and records of the NHA.

The HUDCC turned-over fourteen (14) lowland resettlement sites, various assets, liabilities and capital as of July 31, 2006. Recording of assets and liabilities were taken up in the books. Collection and disbursements were reclassified from NHA books to Mt. Pinatubo books.

As of December 31, 2011, PPMO fund resources amounted to P2,597,727,752 and from its operations, it incurred a net loss of P1,755,640.