

NATIONAL HOUSING AUTHORITY NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION

The National Housing Authority (NHA) is a government-owned and 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, 2012, the NHA has a total of 1,359 employees.

The financial statements of NHA for CY 2012 were approved for issuance per Board Resolution No. 5598 dated February 26, 2013.

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 Nos. 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, 2012 were presented in accordance with the New Government Accounting System (NGAS) to comply with COA Circular No. 2008-03 dated December 24, 2008.

Cash & 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 and materials are valued at cost using the moving average method.

Receivables

Receivables are stated at face value, except for rental receivables which is 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 receivables, 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 their 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 pesos, 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:

	2012	2011
Cash on hand		
Collecting officers	7,831,030	6,917,115
Disbursing officers	28,963,222	38,124,568
Petty cash fund	163,254	151,021
Cash in bank		
Current	1,115,028,273	1,918,657,483
Savings	55,338,252	49,317,112
Time deposit	2,614,885,434	1,826,036,510
	3,822,209,465	3,839,203,809

Cash Disbursing Officers account includes cash advances for special purpose.

The decrease in Cash in Bank-Current Account and consequently an increase in Cash in Bank-Time Deposits was mainly due to transfer of funds for placement to high yield and special savings deposits.

4. RECEIVABLES

This account is composed of the following:

	2012	2011
Accounts receivable		
Receivables – Cash sales	7,066,894	1,010,931
Rental receivables	2,349,090,799	2,343,447,331
Receivables – Mortgage sales	9,725,868	6,256,558
Receivables – Installment sales	956,258,089	952,663,497
Due from officers & employees	343,278	475,621
Loans receivable		
LGUs	20,472,423	20,597,685
Others	291,716,862	198,614,711
Interest receivable	39,043,570	44,690,026
Due from		
NGAs	184,418,732	76,864,397
GOCCs	13,284,609	10,840,102
LGUs	127,179,669	46,649,225
NGOs/POs	4,331,955	2,400,000
Receivables – Disallowances/Charges	1,592,228	2,240,961
Other receivables	41,845,455	41,423,850
	4,046,370,431	3,748,174,895
Allowance for doubtful accounts	(285,058,865)	(272,931,191)
	3,761,311,566	3,475,243,704

Accounts Receivable represents the current portion due from beneficiaries in various housing projects. The amount of P2.021 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 of Agreement wherein DOTC assigned its Depot Development Rights Payment (DRP) due from MRT Development Corporation and authorizes the latter to remit the same to NHA. The Authority receives monthly remittance from MRT based on Depot DRP schedule starting July 2007.

Loans Receivable – Local Government Units (LGUs) represent current portion of loans granted to various local government units under the local housing program of the Comprehensive Integrated Shelter Financing Act (CISFA) funds.

Loans Receivable – Others represent 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.

Interest Receivable of P39.043 million pertains to accrued interest on Installment Sales from accounts with one year arrearages per Aging Report.

Due from LGUs and Due from National Government Agencies (NGAs) are advances made by 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 Non-Government Organizations (NGOs)/Peoples' Organizations (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/Southrail Projects.

The allowance of P285.059 million covers the doubtful accounts from beneficiaries' rental accounts. The allowance for doubtful accounts were set up for dormant receivables from LGUs, GOCCs & Loans Receivable, totaling P48.000 million.

5. INVENTORIES

The account consists of the following:

	2012	2011
Merchandise Inventory/ Items for sale or transfer	5,096,614,466	7,559,053,590
Construction in Progress		
Housing units	594,229,687	2,194,679,885
Resettlement project	723,773,078	1,527,703,554
Sites and services	49,807,101	228,148,396
Slum upgrading	22,421,214	29,939,270
Special Project-NHA Main Compound	1,352,199	-
Office supplies inventory	5,427,533	4,954,704
Drugs and medicine inventory	152,637	126,985
Other supplies inventory	1,319,577	1,713,727
	6,495,097,492	11,546,320,111

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

Construction in Progress pertains to the cost of on-going projects of the Authority.

6. PREPAYMENTS

The account consists of the following:

	2012	2011
Deposit on letters of credit	101,378,666	-
Advances to contractors	88,240,200	12,693,908
Prepaid insurance	693,697	555,308
	190,312,563	13,249,216

Deposit on Letters of Credit covers the amount deposited for payment of the Monetary Award pursuant to the Agreement to Settle Final Arbitral Award between First United Constructors Corporation (FUCC) and NHA dated June 6, 2012 in CIAC Case No. 14-2003 (FUCC vs. NHA Freedom Valley Resettlement Project, Boso-Boso, Antipolo, Rizal).

Advances to Contractors are mobilization fee equivalent to 15% of the contract cost. Dormant accounts amounting to P16.571 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:

	2012	2011
Installment Sales		
NHA – Owned Fund	6,409,018,610	5,503,517,746
CISFA Fund	406,599,638	280,173,036
Loans Receivable – Others		
NHA – Owned Fund	19,468,635,011	15,117,661,149
CISFA Fund	47,528,292	73,089,658
Loans Receivable – LGUs		
NHA – Owned Fund	50,015,612	-
CISFA Fund	138,777,094	182,335,457
Due from LGUs	31,935,750	37,742,250
Due from NGAs	223,754,680	223,754,680
	26,776,264,687	21,418,273,976
Allowance for doubtful accounts	(19,534,124)	(19,534,124)
	26,756,730,563	21,398,739,852

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

Loans Receivable – Others consists of long term 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. The breakdown of which are as follows:

Particulars	2012	2011
Subsidized project loan	19,341,939,061	15,103,113,540
Bridge financing	106,092,447	-
Employees assistance program	9,550,733	9,794,246
Housing material loan	6,604,836	4,750,000
Others	2,496,306	-
Community mortgage program	1,401,554	-
Small business loans	536,767	-
Sanitary core	13,307	-
B - Care	-	3,363
Total Main Office	19,468,635,011	15,117,661,149

Particulars	2012	2011
CISFA fund	47,528,291	73,089,658
	19,516,163,302	15,190,750,807

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

8. INVESTMENTS

This account consists of the following:

	2012	2011
Investments in stocks	1,403,025,000	1,403,025,000
Investments in bonds	969,500	969,500
Other long term investments & marketable securities	6,215,997,968	6,233,377,540
	7,619,992,468	7,637,372,040

Investments in Stocks pertains 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.

Investments in Bonds represents 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 & Marketable Securities represent the NHA's equity on various joint venture projects:

	2012	2011
Main		
Urban Triangle Development Project	6,128,409,000	6,128,414,530
AFP Military Housing	13,429,078	13,429,078
Seabreeze Housing Phase 2	3,946,884	3,946,884
Canduman Resettlement Project	5,049,934	5,049,934
Kadayawan Resettlement Project	4,355,582	4,355,582
Zamboanga Teachers Village Housing	10,251,490	10,251,490
CBD II Housing Project	-	7,000,000
Various Joint Venture Projects	9,711,024	10,173,934
	6,175,152,992	6,182,621,432
CISFA		
Brgy. McKinley	12,197,970	12,197,970
Concepcion Resettlement Site	6,500,000	6,500,000
San Juan Cooperative Housing Project	6,176,579	6,176,579

	2012	2011
Sibuan Otong	3,135,244	3,135,244
Dumalinao Employees Housing	3,109,881	3,109,881
Menzi Housing Project	3,078,436	3,078,436
Various	6,646,866	16,557,998
	40,844,976	50,756,108
	6,215,997,968	6,233,377,540

9. LAND ASSEMBLY FOR FUTURE PROJECTS

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

	2012	2011
Northern and Central Luzon	587,401,395	590,401,395
Visayas	180,113,466	177,917,576
Southern Luzon and Bicol	161,214,271	158,614,271
Mindanao	150,055,419	86,259,028
National Capital Region	84,519,932	84,519,932
	1,163,304,483	1,097,712,202

10. PROPERTY AND EQUIPMENT

This account is composed of the following (amount in thousand pesos):

	Land & Land Improvements	Building and Structures	Office Equipment, Furniture & Fixtures	Machineries Equipment	Transportation Equipment	Total
As of December 31, 2012						
Cost						
Beginning	751,055	412,695	123,230	26,153	92,695	1,405,828
Additions	321,319	1,714,029	7,245	919	13,334	2,056,846
Adjustments	1,333,978	-	(18,366)	(11,819)	(4,429)	1,299,364
	2,406,352	2,126,724	112,109	15,253	101,600	4,762,038
Accumulated Depreciation						
Beginning balance	777	183,024	91,256	24,481	66,319	365,857
Charge for the Year	-	1,430	10,729	458	7,053	19,670
Disposal/Retirements/	-	-	(17,440)	(11,793)	(4,428)	(33,661)
	777	184,454	84,545	13,146	68,944	351,866
Net Book Value	2,405,575	1,942,270	27,564	2,107	32,656	4,410,172

As of December 31, 2011

Cost

	Land & Land Improvements	Building and Structures	Office Equipment, Furniture & Fixtures	Machineries Equipment	Transportation Equipment	Total
Beginning	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	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:

	2012	2011
Restricted Fund/Cash		
Deposit held-in-trust	224,102,004	216,296,132
Deposit for expropriation	41,116,698	41,101,118
Deposit held-in-escrow	35,274,398	32,187,367
Time deposit held in trust	1,800,000	-
	302,293,100	289,584,617
Loans receivable	187,570,047	253,371,460
Accounts receivable	186,194,164	187,233,497
Guaranty deposits	70,830,604	79,629,198
Due from LGUs	42,565,556	49,212,398
Investment in Trustek	35,000,000	35,000,000
Due from GOCCs	17,252,479	16,746,793
Advances to contractors	16,571,321	16,622,323
Other receivables	8,178,465	6,851,205
Due from NGOs/POs	3,871,398	3,921,935
Due from NGAs	2,197,619	2,478,582
Rental deposits	572,865	1,443,064
Miscellaneous assets	158,467	97,349
Unserviceable, Office Equipment/ Furnitures and Fixtures/ IT Equipment, etc.	59,880	105,622
	873,315,965	942,298,043
Allowance for doubtful accounts	(28,465,580)	(28,465,580)
	844,850,385	913,832,463

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.

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

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

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.

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.

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. The equipment had been offered for bids but there were no takers. They are now looking for other means to dispose the assets that were appraised.

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

Other Receivables represent receivables from various joint venture partners, beneficiaries for water and electric services, Meralco meters and service deposits. It also includes receivables from employees no longer with NHA and/or collecting officers who were separated from NHA with outstanding balances.

Due from NGOs and POs represents the balance of 3.871 million pertains to advances for installation of power supplies for three (3) electric cooperatives which remain outstanding to date.

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

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

Allowance for doubtful accounts pertains to the set-up of allowance for doubtful accounts from beneficiaries' rental accounts that had been outstanding for more than five years as follows:

Rental receivables	15,830,794
Loans receivables-others	8,910,914
Due from GOCCs	3,307,887
Due from LGUs	415,985
	28,465,580

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.

Settlement of final arbitral award in compliance to the decision of the Supreme Court dated September 7, 2011 in the case of NHA vs. First United Construction Corporation (FUCC), was partially satisfied as of December 31, 2012. A total of P200 million from NHA account was already released to FUCC, the balance of P101 million will be paid in January 2013.

As of December 31, 2012, no provisions for the liability is recognized or taken up in the books because the amount cannot be measured reliably.

12. PAYABLES

This account includes the following:

	2012	2011
Interest payable	443,600,008	350,966,101
Dividends payable	55,792,058	34,040,910
Due to officers and employees	51,614,944	837,273
Accounts payable	33,479,346	34,488,266
	584,486,356	420,332,550

The increase of P92.634 million in *Interest Payable* is due to accrual of interest on mortgage payable to Home Development Mutual Fund.

The increase of P21.751 million in *Dividends Payable* refers to the unremitted dividends pertaining to the net profit for CY 2012. 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 increase in *Due to Officers and Employees* in the amount of P50.778 million pertains to payment/release of salaries, allowances, and benefits withheld from Accountable Officers upon liquidation of their cash advances.

13. INTER-AGENCY PAYABLES

This account consists of the following:

	2012	2011
Due to BTR (CISFA Funds/Main)	2,371,884,541	2,329,925,939
Due to Other GOCCs		
Public Estate Authority (PEA)	140,708,414	106,113,641
Northrail Project	130,000,000	-
Air Transportation Office (ATO)	100,487,183	90,227,069
BCDA-Villamor Airbase/ Philippine Centennial	50,054,087	35,022,208
Others	89,991,591	73,616,738
Due to LGUs	97,199,910	84,326,280
Due to BIR	21,331,241	11,611,556
Due to GSIS	6,612,647	535,816
Due to Pag-Ibig	1,962,742	2,004,270
Due to Philhealth	683,814	334,639
Due to Other NGAs	478,449,181	81,405,103
	3,489,365,351	2,815,123,259

Due to BTr represents the trust funds released by DBM through the Bureau of Treasury (BTr) for Medium-Rise Public and Private Housing and Local Housing Program as mandated in the Comprehensive Integrated Shelter and Financing Act (CISFA) of 1994 totaling P2.362 billion and the ₱9.096 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), and BCDA (Philippine Centennial Village).

Due to LGUs pertains 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, and withholding taxes for remittance to said agencies.

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

The P130 million advances made by the North Luzon Railways Corporation (NLRC) to NHA for the relocation of informal settler families to pave the way for the implementation of Northrail Project, which was taken-up as Loans Payable was reclassified to Due to Other NGAs.

The increase of P397.044 million in Due to Other NGAs account is mainly due to the claims of DPWH in its relocation of informal settlers to implement the widening project in Navotas and Manila.

14. LOANS PAYABLE

This account consists of the following:

Loans from the National Government

Creditor/Project	Date of Loan	Maturity Date	Terms of Payment	Interest Rate	2012	2011
<i>IBRD-Urban III-LA#1821</i> \$29,435,099 P335,493,245	6/21/1980	12/15/1999	Semi-Annual	8.25%	97,001,686	97,001,686
<i>IBRD-Urban III-LA#2067</i> \$25,452 P241,002	2/24/1982	-	No Loan Agreement	11.60%	241,002	241,002
<i>KFW-DBB-LA#1937952</i> DM 9,701,614 P38,376,338	10/15/1982	6/30/2012	Semi-Annual	2%	4,758,708	4,758,708
GOP Portion- Urban III	1980 -1982	-	-	-	240,748,000	240,748,000
					342,749,396	342,749,396
NHMFC – Social Housing Finance Corp.	2/14/2004	-	Quarterly	6%	200,000,000	200,000,000
NLRC – North Luzon Railways Corporation	-	-	-	-	-	130,000,000
HDMF – Home Development Mutual Fund	6/25/2011	8/8/2010	7 yrs.	10%	412,500,000	412,500,000
					612,500,000	742,500,000
					955,249,396	1,085,249,396

Current Portion

National Government:

KFW –DBB- LA 1937952	-	-	-	-	(4,758,708)	(4,758,708)
GOCC						
HDMF	6/25/2011	8/8/2010	7 yrs.	10%	(412,500,000)	(412,500,000)

Creditor/Project	Date of Loan	Maturity Date	Terms of Payment	Interest Rate	2012	2011
NLRC	-	-	-	-	-	(130,000,000)
NHMFC	2/14/2004		Quarterly	6%	(200,000,000)	(200,000,000)
					(617,258,708)	(747,258,708)
Long-Term Portion					337,990,688	337,990,688

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. The negotiation between MWSS and NHA is still on-going.

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

KFW Loan, DBB LA#1937952, DDDP LA#1934287, Government of the Philippines (GOP) portion Urban III and Urban III LA#2067 are for offsetting against Receivables from Installment Sales for the account of Philippine Drug Enforcement Agency (PDEA) as provided in the 2007 GAA. Negotiation for inclusion in the 2014 GAA is on-going.

GOP Portion - Urban III loan represents NHA's 5% share in the total cost for Zonal Improvement Project (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:

	2012	2011
Guaranty deposits payable	805,158,170	506,405,739
Performance/bidders bonds payable	13,128,273	14,268,840
Tax refunds payable	432,807	411,115
Other payables	1,357,638,145	1,498,921,945
	2,176,357,395	2,020,007,639

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; b) Miscellaneous liabilities/Due to Contractors

consisting of amounts received from prospective buyers, tenants, awardees and contractors to guarantee performance of awarded contracts.

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 cost 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:

	2012	2011
Deferred income from installment sales	3,160,697,753	2,725,780,899
Depository liabilities-beneficiaries	866,840,201	435,534,320
Restricted funds (Smokey Mountain)	46,904,256	40,656,597
Deferred profit - uncollected claims	14,788,141	14,788,141
	4,089,230,351	3,216,759,957

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 includes beneficiaries/buyers' deposit on lots and titles, unapplied collection and rental deposit from beneficiaries of various NHA projects.

Restricted Funds (Smokey Mountain) amounting to P46.904 million pertains to 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 Authority by HGC of the title of the lots.

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.

19. CAPITAL STOCK

The authorized capitalization of the Authority is P5 billion, of which P2.893 billion has been issued by the National Government leaving an unissued capitalization of P2.107 billion.

20. MISCELLANEOUS CAPITAL

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

	2012	2011
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, Taguig	242,724,323	242,724,323
Lot located in Cebu City	59,521,773	59,521,772
Three (3) lots from the Municipalities of Pasig, Cainta and Taytay	57,843,697	57,843,696
Langa Housing Project, Surigao del Sur	37,820,160	-
Land Cost of Tala I, MRH	26,209,000	26,209,000
Caingin Housing Project, Iloilo City	26,034,720	-
DAR BPI Compound (Cresencia Village, Baguio City)	21,600,000	-
Bagong Silang Project, Phase XI	21,461,165	-
Lot from Department of Public Works and Highways	-	17,764,646
DPWH, Sta. Ana, Manila	17,753,150	
Tala Estate, Caloocan City	15,460,016	-
Lot located in Brgy. Katipunan, Quezon City	14,513,760	14,513,760
Lot in Sta. Ana, Manila from DSWD	10,826,000	10,826,000
Land cost – Maria Orosa and Jorge Bocobo Housing Project	108,200	108,200
Urban Triangle Development Project	-	6,127,219,012
Lots located in Baguio City	-	39,025,061
	3,475,061,376	9,518,940,882

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 totaling P242.724 million was transferred by HUDCC to NHA pursuant to Executive Order No. 70/465 as amended.

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 amount of P37.820 million represents Lianga Housing Project located at Brgy. Diatagon, Lianga, Surigao del Sur under Presidential Proclamation No. 403 with an area of 27.3958 hectares for disposition in accordance with the provisions of Republic Act No. 7279.

The amount of P26.209 million represents partial land cost of Tala I Medium-Rise Housing (MRH) at P1,000 per square meter, under Presidential Proclamation No. 843 as amended by R.A. 7999 and Proclamation No. 366.

The Caingin Housing Project which has an area of 54,239 square meters situated in the City of Iloilo, Island of Panay under Presidential Proclamation No. 419 is for utilization in relation to socialized housing, urban development, resettlement and slum improvement.

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 P21.461 million represents project in Bagong Silang, Phase XI under Presidential Proclamation No. 843.

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 808 hectare Tala Estate in Caloocan City was transferred to NHA thru Presidential Proclamation No. 843 for various government uses as well as for housing and urban development.

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

21. APPRAISAL CAPITAL

The amount of P6.127 billion represents the appraised value of the lot located at the Government Center North Triangle, a joint venture project with Ayala Land, Inc. This was reclassified from Miscellaneous Capital to Appraisal Capital in CY 2012.

22. SUBSIDY INCOME FROM THE NATIONAL GOVERNMENT

As of December 31, 2012, the NHA received allotment for various projects and relocation/resettlement and AFP/PNP housing amounting to P26.312 billion, as shown in the succeeding page:

	Advice of Allotment	Cash Received		Balance
		2012	2011	
A. Carry Over from prior years obligation-balance				
2010:				
Resettlement and Slum Upgrading for Lands Proclaimed as Socialized Housing Sites	100,341,955	100,341,955	1,308,138,000	-
Resettlement project in Irosin Sorsogon	-	-	31,520,000	-
	100,341,955	100,341,955	1,339,658,000	-

B. 2011 Appropriations

Resettlement Program	3,943,318,000	1,098,662,000	331,682,000	2,844,656,000
Armed Forces of the Phils. and Philippine National Police Housing Project	1,200,745,000	1,200,745,000	3,475,355,000	-

	Advice of Allotment	Cash Received		Balance
		2012	2011	
Iloilo Resettlement Project	100,000,000	-	-	100,000,000
North Triangle Relocation Project	450,000,000	-	-	450,000,000
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	2,166,835,000	-	7,833,165,000
	16,194,063,000	4,966,242,000	3,807,037,000	11,227,821,000
C. 2012 Appropriations				
Resettlement Program	5,503,180,000	-	-	5,503,180,000
Implementation of AFP & PNP Housing Project, Phase II	4,514,480,000	-	-	4,514,480,000
	10,017,660,000	-	-	10,017,660,000
	26,312,064,955	5,066,583,955	5,146,695,000	21,245,481,000

23. CORRECTION OF PRIOR YEARS' ERRORS

This account is broken down as follows:

	2012	2011
Prior Years' Debits -		
Adjustments on computation of interest on collection from DOTC from May 2007 to June 2011	-	(192,900,871)
Various adjustments to income	887,235	66,044,813
Prior years' amortization interest, delinquency interest, notarial fees, service fees, miscellaneous income	66,097,361	(56,467,007)
Prior Years' Credits -		
Maintenance and other operating expenses	(347,252,557)	(188,839,649)
Personal services	(8,856,530)	(1,869,044)
Subsidy -		
Liquidation of various resettlement projects	(197,096,343)	(69,872,331)
Northrail/Southern relocation projects	(30,471,981)	(29,434,871)
Smokey Mountain development & relocation project	(1,752,489,700)	-

2012	2011
(2,269,182,515)	(473,338,960)

24. PENDING CASES IN COURT

As of December 31, 2012, 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:

DOCKET NO.	PROPERTY	DESCRIPTION
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. Ruperto Marero, et al. Case No. 27933	Antipolo City	Expropriation case

DOCKET NO.	PROPERTY	DESCRIPTION
NHA vs. Virginia Pabelico, et al. CA GR-CV-70216/Case No. 88-45629	St. Ana, Manila	Expropriation case
NHA vs. Jaime Pajara, et al.	Kadungganan, Sagkahan, Leyte	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. Humberto Villareal, et al. SCA-007-01, RTC Br. 17, Roxas City	Brgy. Poblacion Sur, Ivisan, Capiz	Expropriation case
First United Contractors Corporation vs. NHA CIAC Case No. 14-20031	Antipolo, Rizal	With Notice of Garnishment
R-II Builders, Inc. (Petitioner) vs. Home Guaranty Corporation, et al. (Respondents) Civil Case No. 08-120402	Tondo, Manila	Expropriation case
DASMARINAS BAGONG BAYAN		
NHA vs. Sotero Alvaran, Case No. TG-358 (Encabo Property)		Expropriation case
NHA vs. Asislo Toledo (formerly owned by		Expropriation case

DOCKET NO.	PROPERTY	DESCRIPTION
Luciano Austria), Case No. TG-385 & TG-386		
NHA vs. Felipe Ilano, Case No. TG-421		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
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
Rosemarie A. Guanzon, GR No.110462-74	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-	Grace Park Subd. Caloocan City	Expropriation case

DOCKET NO.	PROPERTY	DESCRIPTION
10212 (consolidated)		
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-Calocan, 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
NHA vs. Roman Catholic Archbishop of Manila, CC No. C-6625, RTC-Calocan 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. Carco Motors/ Philtrust Bank, CC No. C-6236	Garce Park Subd., Caloocan City	Expropriation case
NHA vs. Virginia Castro, et al., CC No. C-6226, RTC-Calocan 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,	Grace Park Subd. Caloocan	Expropriation case

DOCKET NO.	PROPERTY	DESCRIPTION
CC No. C-6232, RTC-Caloocan City, CA GR CV 10200-10212	City	
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. 110530-421	Grace Park Subd. Caloocan City	Expropriation case

25. 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 2012:

Taxes paid in 2012	
On compensation	63,960,283
Expanded	13,033,478
VAT & Other Percentage Tax	7,765,183
	<hr/>
	84,758,944
Add: Taxes withheld (to be paid in 2013)	
On compensation	8,872,270
Expanded	1,613,093
VAT & Other Percentage Tax	998,822
	<hr/>
	11,484,185
	<hr/>
	96,243,129

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 (NGC) 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 proprietary interest.

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.

FINANCIAL HIGHLIGHTS

Particulars	2012	2011	Increase / (Decrease)
A. Financial Position			
Assets	665,341,940	613,599,594	51,742,346
Liabilities	807,939,928	748,886,662	59,053,266
Equity	(142,597,988)	(135,287,068)	(7,310,920)
B. Results of Operations			
Revenue from General Income	7,293,241	5,974,149	1,319,092
Operating Expenses	18,607,480	28,739,834	(10,132,354)
Loss from Operations	(11,314,239)	(22,765,685)	11,451,446
Other Income	2,414,931	2,367,685	47,246
Net Loss	(8,899,308)	(20,398,000)	11,498,692

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 National Housing Authority (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, 2012, PPMO fund resources amounted to P2,602,588,332, and from its operations, it incurred a net loss of P2,718,681.

FINANCIAL HIGHLIGHTS

Particulars	2012	2011	Increase / (Decrease)
A. Financial Position			
Assets	2,602,588,332	2,597,727,752	4,860,580
Liabilities	23,542,939	7,748,647	15,794,292
Equity	2,579,045,393	2,589,979,105	(10,933,712)
B. Results of Operations			
Revenue from General Income	216,238	222,921	(6,683)
Operating Expenses	2,943,394	1,980,995	962,399
Loss from Operations	(2,727,156)	(1,758,074)	(969,082)
Interest Income	8,675	2,434	6,241
Net Loss	(2,718,481)	(1,755,640)	(962,841)