

NATIONAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2017
(Amounts in Philippine Peso)

1. CORPORATE PROFILE

The National Housing Authority (NHA) is a government-owned and controlled corporation, duly organized and established by virtue of Presidential Decree (PD) No. 757 dated July 31, 1975, as amended by Executive Order (EO) 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 per cent of urban population through slum upgrading, squatter relocation, development of sites and services and construction of core housing units.

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

RA 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 program.

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

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

AO 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 National Disaster and Risk Reduction Plan from CYs 2011 to 2018 designated the NHA as the lead agency in the Disaster Rehabilitation and Recovery Phase particularly in the development of disaster-resilient, safe and sustainable settlements for families affected by calamities.

The registered office address of the NHA is located at Elliptical Road, Diliman, Quezon City with 30 project offices within Metro Manila and in 9 regions of the country. The NHA is under the Office of the President and shall exist for 50 years but maybe extended. As of December 31, 2017, the NHA has a total of 2,421 employees.

The financial statements of the NHA for CY 2017 were approved for issuance per NHA Board Resolution No. 6376 dated March 8, 2018.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in compliance with the Philippine Public Sector Accounting Standards (PPSAS) issued by the Commission on Audit (COA) through COA Resolution Nos. 2014-003 and 2017-006 dated January 24, 2014 and April 26, 2017, respectively.

The accounting policies have been consistently applied throughout the year presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The Statement of Cash Flows is prepared using the direct method.

The financial statements are presented in Philippine peso, which is also the country's functional currency.

Amounts are rounded off to the nearest peso, unless otherwise stated.

The preparation of financial statements in compliance with the adopted PPSAS requires the use of certain accounting estimates. It also requires the Authority to exercise judgment in applying the entity's accounting policies.

COA Circular No. 2015-003 dated April 16, 2015 classified the NHA as a Non-Government Business Enterprise. Pursuant to COA Circular No. 2015-010 dated December 1, 2015, the NHA has adopted the Revised Chart of Accounts for government owned and controlled corporations (GOCCs). The conversion has no material impact on the balances of the accounts.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. Basis of accounting

The financial statements are prepared on accrual basis in accordance with the PPSAS.

3.2. Adoption of new and amended PPSAS

COA Resolution No. 2016-006 dated April 26, 2017 for the adoption of additional six PPSASs and updates on the PPSAS prescribed through COA Resolution No. 2014-003 dated January 24, 2014 in accordance with the 2016 Edition of the Handbook of International Public Sector Accounting Pronouncements published by the International Federation of Accountants.

- (a). Effective in 2017 that are relevant to the NHA
- i. *PPSAS 34 - Separate Financial Statements.* This Standard is issued concurrently with PPSAS 35. Together, the two Standards supersede PPSAS 6, Consolidated and Separate Financial Statements (January 2014). It consist of the International Public Sector Accounting Standard (IPSAS) 34, which was issued in January 2015 by the International Public Sector Accounting Standards Board (IPSASB) of the International Federation of Accountants (IFAC) and the Philippine Application Guidance (PAG) prepared to suit the Philippine public sector situation. This Standard prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements. When an entity prepares separate financial statements, it shall account for similar investments in controlled entities, joint ventures and associates either: (a) at cost; (b) in accordance with IPSAS 29; or (c) using the equity method as described in IPSAS 36
 - ii. *PPSAS 36 - Investments in Associates and Joint Ventures* is issued to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. This Standard consists of IPSAS 36 issued in January 2015 and the PAG.
 - iii. *PPSAS 38 - Disclosure of Interests in Other Entities* requires an entity to disclose information that enables users of its financial statements to evaluate: a) the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and b) the effects of those interests on its financial position, financial performance and cash flows.

The adoption of the above standards has no material impact on the financial statements of NHA.

- (b). Effective in 2017 that are not relevant to the NHA:

The following PPSASs are effective for annual periods beginning on or after January 1, 2017 but are not relevant and have no significant impact on the financial statements of the NHA.

- i. *PPSAS 33 - First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs)* provides guidance to a first-time adopter that prepares and presents financial statements following the adoption of accrual basis IPSASs, in order to present high quality financial information. An entity shall apply this IPSAS when it prepares and presents its annual financial statements on the adoption of, and during the transition to, accrual basis IPSASs. The NHA is not a first-time adopter of the accrual basis of accounting, hence, this IPSAS has no significant impact on the financial statements of NHA.

- ii. PPSAS 35 - *Consolidated Financial Statements*. This standard provides the guidelines for an entity that is a controlling entity and shall present consolidated financial statements. This Standard applies to all entities, except that a controlling entity that need not present consolidated financial statements if it meets all the conditions prescribed by this Standard.
- iii. PPSAS 37 - *Joint Arrangements* establishes the principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e., joint arrangements). To meet this objective, this Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement. PPSAS 38 - *Disclosure of Interests in Other Entities*.

3.3. Consolidation

a. Consolidated fund

The financial statements reflect the assets, liabilities, revenue/income, and expenses of the NHA-owned funds and the CISFA fund which are consolidated quarterly. CISFA funds were released by the Bureau of Treasury (BTr) for the Local Housing Program and the Medium-Rise Public and Private Housing.

No sets 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 submitted to the NHA Accounting Department for recording. Likewise, Monthly Summary of Expenses is submitted together with copies of disbursements and supporting documents.

b. Investments in joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. As a Venturer, the NHA prepares separate financial statements and recognizes its interest in a joint venture using the cost plus acquisition changes in the NHA share in the net assets of the joint venture.

NHA has no direct control over the joint venture. NHA invests its property to the joint venture and will share in the assets and revenue in accordance with the rates provided for in the Joint Venture. The distributions of share from the joint venture from a controlled entity, a joint venture or an associate are recognized in the separate financial statements of an entity when the entity's right to receive the dividend or similar distribution is established. The dividend or similar distribution is recognized in surplus or deficit unless the entity elects to use the equity method, in which case the dividend or similar distribution is recognized as a reduction from the carrying amount of the investment.

c. Trusts under administration

NHA, as implementing agency/trustee received funds from the different National Government agencies and government owned and controlled corporations (Source Agency/Trustee) for the implementation of the different projects under Memorandum of Agreement (MOA) with the said agencies. Depending on the provisions of the MOA, NHA as administrator/implementing agency shall prepare a separate financial statements or a subsidiary ledger for each fund/project. However, the trust fund are not consolidated in the financial statements of NHA, instead separate sets of books are being maintained. The amounts received by NHA from the trustors (source agency) are recognized under the liability account until the fulfillment of the NHA obligations. The NHA as administrator earns administrative fee under the MOA.

3.4. Financial instruments

a. Financial assets

The NHA's financial assets include cash and cash equivalent, and loans and receivables as at December 31, 2017.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

In compliance with PPSAS No. 29, *Financial Assets: Recognition and Measurements*, receivables are recognized initially at fair value and subsequently, at amortized cost using Management's best estimate on collectability or net realizable value.

b. Financial liabilities

Financial liabilities are measured initially at fair value in compliance with PPSAS No. 29. Financial liabilities are recognized when, and only when, the entity becomes a party to the contractual provisions of the financial instrument. The management determines the classification of its financial liabilities at initial recognition.

Financial liabilities are derecognized from the statement of financial position when the obligations specified in the contracts are extinguished either through discharge, cancellation or expiration.

The NHA's financial liabilities include accounts payables, loans payable, and amounts due to officers and employees.

3.5. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in bank and time deposits with maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

3.6. Inventories

Inventories are measured at cost upon initial recognition. To the extent that inventory is received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

After initial recognition, inventories are measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the NHA.

3.7. Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment property are measured using the cost model and are depreciated over their estimated useful life.

Investment properties are derecognized either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit or service potential is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use.

The NHA uses the cost model for the measurement of investment property after initial recognition.

3.8. Property, plant and equipment

Property, plant and equipment (PPE) are initially recorded at cost and subsequently carried in the financial statements at cost less accumulated depreciation and impairment losses, in compliance with PPSAS No. 17, *Property, Plant and Equipment*. Major repairs and improvements are added to the initial cost and amortized for the remaining life of the property. Minor repairs and maintenance are charged against the proper expense accounts.

Depreciation is calculated using the straight-line method based on the estimated life of the assets less the residual value equivalent to at least ten per cent of the cost of the PPE. The depreciation charge for each period is recognized as expense unless it is included in the cost of another asset.

An item of PPE is derecognized upon disposal or when no future economic benefits or service potential is expected from its continuing use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the surplus or deficit when the asset is derecognized.

3.9. Leases

Leases in which the NHA does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases.

Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term. Rent received from an operating lease is recognized as income on a straight line basis over the lease term. Contingent rents are recognized as revenue in the period in which they are earned.

The depreciation policies for PPE are applied to similar assets leased by NHA.

3.10. Provisions, contingent liabilities and contingent assets

Provisions are recognized when the NHA has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the NHA expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Provisions are reviewed at each reporting date, and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provisions are reversed.

The NHA does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Moreover, the NHA does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the NHA in the notes to the financial statements.

3.11. Changes in accounting policies and estimates

The NHA recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

The NHA recognizes the effects of changes in accounting estimates prospectively through surplus or deficit.

3.12. Revenue from non-exchange transactions

The NHA recognizes assets and revenues from gifts and donations when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Goods in-kind are recognized as assets when the goods are received, or there is a binding arrangement to receive the goods. If goods in-kind are received without conditions attached, revenue is recognized immediately. If conditions are attached, a liability is recognized, which is reduced and revenue recognized as the conditions are satisfied.

3.13. Revenue from exchange transactions

Revenue is recognized when it is probable that economic benefits or service potential associated with the transaction will flow to the entity and the revenues can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Revenue includes sales revenue, rental income, interest income and other business income, which are recognized on the accrual basis.

3.14. Budget information

The annual budget is prepared on a cash basis and is published in the government website. A separate Statement of Comparison of Budget and Actual Amounts (SCBAA) is prepared since the budget and the financial statements are not prepared on comparable basis. The SCBAA is presented showing the original and final budget and the actual amounts on comparable basis to the budget.

The financial statements - Statement of financial position (Statement I), Statement of financial performance (Statement II), Statement of changes in net assets (Statement III) and Statement of cash flow (Statement IV) are prepared on an accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

The reconciliation of SCBAA (Statement V) with Statement II is presented as follows:

	Statement V- Actual vs Statement II	Statement V- Budget vs Statement II
	(In Millions)	
Net budgeted surplus	18,234.929	18,234.929
Differences in amounts and items included in SCBAA but not included in statement of financial performance		
Services and business income	3.525	863.495
Unutilized budgeted amount		71,400.460
Other income	482.489	(29.662)
Payment to suppliers and employees (Personnel services and MOOE)	2.190	(461.213)
Unutilized budget for capital expenditures	(14,720.929)	(90,864.207)
Financial expenses	(175.485)	10.276
	(14,408.210)	(19,080.851)
Differences in amounts and items included in statement of financial performance but not included in SCBAA		
Non-cash expenses	45.720	45.720
Discounts/rebates	22.864	22.864
Financial assistance subsidy	1,348.723	1,348.723
	1,417.307	1,417.307
Net fund sources/uses	5,244.026	571.385

A reconciliation between the actual amounts on a comparable basis as presented in the SCBAA and the actual amounts in the statement of cash flows for the year ended 31 December 2017 is presented as follows:

	Statement V- Actual vs Statement IV (In Millions)	Statement V- Budget vs Statement IV (In Millions)
Net cash flow	11,610.780	11,610.780
Differences in amounts and items included in SCBAA but not included in statement of cash flow		
Services and business income		2,173.234
Unutilized budgeted amount		71,400.460
Unutilized budget on capital expenditures		(76,143.278)
Unutilized budget on personnel services and MOOE		(463.403)
Financial expenses		185.761
	-	(2,847.226)
Differences in amounts and items included in statement of cash flow but not included in SCBAA		
Collection from awardees/beneficiaries	(8,611.995)	(10,234.573)
Collection from joint venture		(158.143)
Interest earned on savings/time deposits		(27.057)
Other collections		(17.637)
For remittance to government agencies with trust agreement	8,929.469	8,929.469
Cash and cash equivalents at beginning of the year	(6,684.228)	(6,684.228)
	6,366.754	8,192.169
Net fund sources/uses	5,244.026	571.385

3.15. Related parties

Pursuant to PD No. 757 and EO No. 90, the NHA shall be governed by a Board of Directors which shall be composed of the Secretary of Public Works, Transportation and Communications, the Director-General of the National Economic and Development Authority, the Secretary of Finance, the Secretary of Labor, the Secretary of Industry, the Executive Secretary, the General Manager of the NHA and the Chairman of HUDCC as the Chairman of the Board. The members of the Board may have their respective alternates who shall be the officials next in rank to them and whose acts shall be considered the acts of their principals with right to receive their benefits. Provided, that in the absence of the Chairman, the Board shall elect a temporary presiding officer.

3.16. Events after the end of the reporting period

Governance Commission for GOCCs (GCG) Memorandum Order No. 2016-12 approved the Restructuring Plan of NHA on August 26, 2016. The Restructuring Plan is expected to improve service delivery, particularly in the regions in terms of area coverage, production, monitoring collection and socio-economic development.

Part of the Authority's transition is the regionalization/decentralization of finance functions. The Financial Services Group is now on the last stage of forming the guidelines for the functions to be devolved to regions/districts offices.

The Management issued Office Order No. 4056 dated December 13, 2017 regarding the "Adoption of the New Nomenclatures of NHA Offices under the GCG-Memorandum Order No. 2016-12.

Office Order No. 4535 dated May 23, 2018 designates/identifies and/or reassigns Heads for Regional Operations.

4. PRIOR PERIOD ADJUSTMENTS

Prior period errors are omissions from, and misstatements in, the NHA financial statements for prior periods arising from a failure to use, or misuse of, relevant information.

Errors in the previous year are corrected by restating the opening balance of affected accounts in the current year using the Accumulated Surplus/Deficit account.

5. CASH AND CASH EQUIVALENTS

This consists of:

	2017	2016 (As Restated)
Cash on hand		
Collecting officers	10,918,043	5,964,017
Petty cash	451,557	551,807
Cash in bank		
Current account	10,743,701,385	5,387,913,891
Savings account	198,195,277	166,648,445
Time deposits	657,513,361	1,123,149,424
	11,610,779,623	6,684,227,584

The NHA maintains its cash balances in Land Bank of the Philippines (LBP) and Philippine Veterans Bank (PVB). The LBP is the authorized government depository bank allowed by law to deposit government funds and maintain depository accounts. The PVB is authorized to accept funds subject to limitations prescribed by the Monetary Board.

6. RECEIVABLES

This is composed of the following:

6.1. Loans and receivables

	Current	2017 Non-Current	Total	Current	2016 (As Restated) Non-Current	Total
Accounts Receivable (AR)						
Receivable from Cash Sales	606,222	-	606,222	83,112,190	-	83,112,190
Rental Receivable	2,459,262,342	-	2,459,262,342	2,412,903,707	-	2,412,903,707
Receivable from Mortgage Sales	106,058,377	-	106,058,377	109,086,752	-	109,086,752
Receivable from Installment Sales	1,506,847,039	8,892,921,064	10,399,768,103	1,398,372,146	9,212,617,118	10,610,989,264
Allowance for Impairment-Rental	(266,565,164)	-	(266,565,164)	(299,449,639)	-	(299,449,639)
Net Value – AR	3,806,208,816	8,892,921,064	12,699,129,880	3,704,025,156	9,212,617,118	12,916,642,274
Loans Receivable – LGUs	9,327,841	189,089,462	198,417,303	22,185,874	174,396,994	196,582,868
Loans Receivable – Others	1,362,179,946	46,931,500,598	48,293,680,544	1,109,115,389	45,702,018,832	46,811,134,221
Interests Receivable	48,826,025	-	48,826,025	52,528,736	-	52,528,736
	5,226,542,628	56,013,511,124	61,240,053,752	4,887,855,155	55,089,032,944	59,976,888,099

Receivable from cash sales covered by Deed of Sale with terms payable within one year.

Rental receivable mainly pertains to receivable from Department of Transportation (DOTr – formerly DOTC) for the lease of the North Triangle property covered by a Contract of Lease executed in April 1998. In March 2007, DOTr, NHA and MRT Development Corporation executed a Memorandum of Agreement and Assignment of Agreement wherein DOTr assigned its Depot Development Rights Payment (DRP) due from MRT Development Corporation and authorizes the latter to remit the same to NHA. The NHA receives monthly remittance from MRT starting July 2007.

Allowance for impairment of P266.565 million covers the doubtful accounts from beneficiaries' rental accounts.

The allowance for impairment 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: four to six months, 10%; seven to 12 months, 20%; one year to three years, 30%; over three years to five years, 40%; and over five years, 50%.

Receivable from mortgage sales is the amount due as NHA share from financing partners like HDMF and NHMFC.

Receivable from installment sales is covered by Conditional Contract to Sell (CCS) with terms of up to 30 years. This also recognizes capitalization of Amortization Interest and Delinquency Interest as a result of Restructuring of Accounts due to condonation.

Non-current receivable from installment sales represents the principal amount not yet due as of the balance sheet date from customers arising from the sale of real estate investments.

Loans receivable – LGUs represents loans granted to various local government units who avail the Local Housing Program of NHA. The amount financed is subject to repayment of the LGUs or Municipalities according to terms and conditions stated in the Memorandum of Agreement.

Loans receivable – others represents loans granted to beneficiaries under the various housing projects of the NHA as well as 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. For CISFA account, the loans are 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.

Interests receivable of P48.826 Million pertains to accrued interest on Installment Sales from accounts with one year arrearages per Aging Report.

6.2. Inter-agency receivables

	2017			2016		
	Current	Non-Current	Total	Current	Non-Current	Total
Due from National Government Agencies	1,028,489,074	227,084,642	1,255,573,716	909,300,785	223,207,979	1,132,508,764
Due from Local Government Units	1,680,191,486	68,526,841	1,748,718,327	1,444,182,398	16,633,900	1,460,816,298
Due from Government Corporations	8,132,028	-	8,132,028	8,132,028	-	8,132,028
	2,716,812,588	295,611,483	3,012,424,071	2,361,615,211	239,841,879	2,601,457,090

Due from NGAs represents advances of the NHA to DPWH, DOH and DSWD which are subject to liquidation. Majority of cash advance to DPWH is for the implementation of Zamboanga City Roadmap to Recovery and Reconstruction Plan. The fund covers the expenses necessary for land development and civil works which was conceptualized

due to armed conflict that caused heavy damage and burning homes in Zamboanga last September 9, 2013.

This also includes receivables from Department of Education (DepEd) for the construction of school buildings/facilities in the resettlement sites in Laguna, Cavite, Rizal, Bulacan, Muntinlupa and Metro Manila, relative to the North/South Rail Relocation Program.

Part also of this account covers the advances made in 1983 to the Office of the President for the implementation of Malacañang Community Environmental Renewal Project (MACERP) amounting to P19.534 million.

Due from LGUs are advances to different local 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 audited by the Auditor of the City. The advances are primarily for housing materials assistance for families affected by calamities, mobilization, construction of houses on stilts, footbridges, communal septic tanks and construction of housing units for indigenous people.

This account also represents non-interest bearing loan to Local Government Units covered by a Memorandum of Agreement.

Due from GOCCs represents advances/loans to various Government-Owned and Controlled Corporations subject for reimbursement to NHA. Due from MWSS amounting to P5,630,350.23 refers to the cost of repair and rehabilitation works of sewerage lift stations, connection of water service lines, rental for the MWSS-ZIP team and various charges. Due from PNOC amounting to P2,483,790.11 pertains to cost of design and supervision on the relocation and resettlement project for the informal occupants of the PNOC Petrochemical Development Corporation Petrochemical Complex.

6.3. Other receivables

	2017	2016
Receivables-disallowances/charges	682,856	682,856
Due from officers and employees	16,536	115,602
Due from NGOs/POs	3,654,028	6,832,362
Other receivables	40,532,845	38,931,614
	44,886,265	46,562,434

7. INVENTORIES

	2017	2016
Merchandise inventory		
Completed development for sale – land	15,588,930,782	12,363,345,616
Completed development for sale – building	17,677,967,702	10,110,281,069
Property and equipment for distribution		
Completed development for transfer – land	288,121,353	-
Completed development for transfer – building	266,675,711	-

	2017	2016
Work-in-process inventory		
Sites and services	22,963,547	-
Slum upgrading	88,889,178	-
Housing units	5,155,458,945	-
Resettlement projects	3,404,221,810	-
Community facilities	1,160,389,201	-
Inventory held for consumption		
Office supplies inventory	8,764,841	9,244,616
Drugs and medicines inventory	105,718	109,453
Other supplies and materials inventory	103,521	103,521
	43,662,592,309	22,483,084,275

Merchandise inventory represents the cost of developed lots, houses and buildings transferred from Work-in-Process Inventory to this account for disposition/sale. The sale is supported by Sales Report from the project office to reflect the cost of sales. Any adjustment or cancellation is supported by amended/cancelled Sales Report.

Property and equipment for distribution pertains to cost of infrastructure/community facilities for transfer to various government agencies such as DOH, MWSS, DPWH, DLGCD, LWUA, DECS and DSWD.

Work-in-process inventory represents the cost of on-going projects of the NHA.

- *Sites and services* are raw lands acquired and developed by NHA for the purpose of turning into serviced home lots which will serve as alternative to informal settlers as well as catchment areas for in-migration and population growth.
- *Slum upgrading* entails the acquisition and on-site improvement of occupied lands through the introduction of road or alleys and basic services such as water and power.
- *Housing units* pertain to Low Rise Buildings (LRB) and Medium Rise Buildings (MRB) constructed for sale upon completion.
- *Resettlement projects* involve acquisition and development of large tracts of raw land to generate serviced lots or core housing units for families displaced from danger areas such as waterways, esteros and railroad tracks and from sites intended for government infrastructure projects.
- *Community facilities* include other structures such as school buildings, Multipurpose Hall, Livelihood Centers and Health Centers, etc. to be transferred to LGUs and DepEd upon completion.

8. OTHER CURRENT ASSETS

This consists of the following:

	2017	2016
Advances		
Advances for operating expenses	55,915,140	51,978,682
Advances for payroll	1,542,974	548,552
Advances to special disbursing officer	2,765,534	1,050,609
Advances to officers and employees	36,624	61,832
Prepayments		
Advances to contractors	3,005,118,752	3,242,105,613
Prepaid insurance	418,367	808,984
	3,065,797,391	3,296,554,272

Advances for operating expenses represent the working fund of the NHA.

Advances for payroll represent the payroll fund of the NHA.

Advances to special disbursing officer are for special purpose/time-bound undertakings to be liquidated within specified period.

Advances to officers and employees are amounts advanced for official travel.

Advances to contractors refer to advances made to contractors representing mobilization fee equivalent to 15% of the contract cost.

9. INVESTMENTS

	2017	2016
Investments in joint venture		
Urban Triangle Development Project	5,254,142,851	6,128,409,000
Zamboanga Teachers Village Housing	10,047,693	10,213,625
AFP Military Housing	15,205,628	13,429,078
Canduman Resettlement Project	5,049,934	5,049,934
Kadayawan Homes	4,355,582	4,355,582
Concepcion Resettlement Site	6,500,000	6,500,000
San Juan Cooperative Housing	6,176,579	6,176,579
Barangay McKinley	12,197,970	12,197,970
Various joint venture projects	23,299,105	23,326,747
Investments in stocks	38,890	38,890
	5,337,014,232	6,209,697,405

Investments in joint venture represent the NHA's equity on the above various joint venture projects.

Urban Triangle Development Project pertains to the Joint Venture Agreement with Ayala Land Inc. on August 27, 2009 to develop part of North Triangle Property consisting of 281,829 square meters (sq.m.) of land into a mixed-use complex at P21,000 per sq.m.

10. INVESTMENT PROPERTY

Investment property consists of land and tenement housing projects rented out to NHA beneficiaries.

11. PROPERTY, PLANT AND EQUIPMENT

This is composed of the following:

	Land	Land Improvements	Bldgs. & Other Structures	Machinery & Equipment	Transportation Equipment	Furniture, Fixtures & Books	Other PPE	CIP-Buildings & Other Structures	TOTAL
Cost									
Jan. 1, 2017	2,502,621,872	16,984,432	730,197,554	214,958,588	129,295,219	3,698,094	2,506,800	8,892,734,586	12,492,997,145
Additions/Acquisitions	1,314,808	3,904,702	-	19,677,137	149,700	372,620	338,400	889,753,339	915,510,706
Disposal/Adjustments	(1,248,931,019)	-	(491,090,868)	5,764	(8,282,283)	15,232	-	(9,643,986,998)	(11,392,270,172)
	1,255,005,661	20,889,134	239,106,686	234,641,489	121,162,636	4,085,946	2,845,200	138,500,927	2,016,237,679
Acc. Depreciation									
Jan. 1, 2017	-	4,144,996	185,442,623	100,701,614	90,130,018	1,735,581	1,219,911	-	383,374,743
Charge for the year	-	1,851,901	8,325,827	23,872,269	9,517,215	437,881	454,854	-	44,459,947
Disposal/Adjustments	-	-	(51,278,736)	(2,288)	(8,044,468)	-	-	-	(59,325,492)
	-	5,996,897	142,489,714	124,571,595	91,602,765	2,173,462	1,674,765	-	368,509,198
	1,255,005,661	14,892,237	96,616,972	110,069,894	29,559,871	1,912,484	1,170,435	138,500,927	1,647,728,481
Cost									
Jan. 1, 2016	2,665,107,577	16,516,786	711,808,582	193,033,163	127,784,703	27,330,570	2,198,000	7,697,491,343	11,441,270,724
Additions/Acquisitions	155,645,589	467,646	263,993,274	37,101,594	-	3,436,234	308,800	1,195,243,243	1,656,196,380
Disposal/Adjustments	(318,131,294)	-	(245,604,303)	(15,176,170)	1,510,517	(27,068,710)	-	-	(604,469,960)
	2,502,621,872	16,984,432	730,197,553	214,958,587	129,295,220	3,698,094	2,506,800	8,892,734,586	12,492,997,144
Acc. Depreciation									
Jan. 1, 2016	-	3,246,005	182,471,068	97,169,202	79,880,772	17,495,821	810,375	-	381,073,243
Charge for the year	-	898,991	2,971,555	18,663,258	11,005,399	1,850,625	409,536	-	35,799,364
Disposal/Adjustments	-	-	-	(15,130,846)	(756,153)	(17,610,866)	-	-	(33,497,865)
	-	4,144,996	185,442,623	100,701,614	90,130,018	1,735,580	1,219,911	-	383,374,742
	2,502,621,872	12,839,436	544,754,930	114,256,973	39,165,202	1,962,514	1,286,889	8,892,734,586	12,109,622,402

Housing and community development administrative site represents cost of land utilized as project offices of NHA, staff building, livelihood centers and the like.

Land assembly for future projects represents cost of undeveloped lots acquired for eventual development or redevelopment and intended for future projects.

Buildings and other structures are used for administrative purposes such as office buildings, multipurpose halls, recreational centers and the like.

12. OTHER NON-CURRENT ASSETS

	2017	2016 (As Restated)
Loans and receivables		
Accounts receivable-mortgage sales	43,128,664	52,503,948
Loans receivable - LGUs	60,605,941	60,605,941
Allowance for impairment – LGUs	(60,605,941)	(60,605,941)

	2017	2016 (As Restated)
Loans receivable – others	127,974,298	128,126,109
<i>Allowance for impairment – others</i>	(128,126,109)	(128,126,109)
Inter-agency receivables		
Due from NGAs	167,944	167,944
Due from LGUs	27,842,701	27,946,481
Due from GOCCs	17,252,212	17,252,212
Other receivables		
Other receivables	7,245,994	7,245,994
<i>Allowance for impairment – other receivables</i>	(7,245,994)	(7,245,994)
Other assets		
Advances to contractors	16,571,321	16,571,321
Prepaid rent	572,865	572,865
Guaranty deposits	86,557,183	86,348,674
Restricted fund	5,308,939,772	3,704,746,775
Foreclosed property/assets	62,065,735	61,445,836
Other assets	678,198,929	35,335,619
	6,241,145,515	4,002,891,675

Loans receivable – LGUs are loans extended by the NHA for the following programs:

Slum upgrading	692,187
Regional cities development	103,974
Zonal Improvement Project	4,010,151
Municipal Treasurer	2,260,799
Pambansang Bagong Nayon	6,566,232
Joint venture program	5,007,575
Line agencies	300,000
Various housing, improvement of water system, survey & drainage works	41,665,023
	60,605,941

Loans receivable also includes bridge financing to Joint Venture partners which are non-moving for five years or more.

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

Other receivables represent receivables from various joint venture partners, receivables from 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.

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

Allowance for impairment pertains to the set-up of 100 per cent allowance for doubtful accounts for loans granted that had been outstanding for more than five years.

Guaranty deposits are deposits made to National Home Mortgage Finance Corporation (NHMFC) 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.

Restricted fund represents fund for special purpose which cannot be used in the operation of the Agency.

Foreclosed property/assets pertain to the following properties which are foreclosed/acquired by the NHA.

NHA-SSS Apt/Dorm Leila Cristobal Prop	17,142,511
NHA-SSS Apt/Dorm Andrew & Ester Nocon	14,694,406
NHA-SSS Apt/Dorm Enrique Mabasa Prop	13,658,005
NHA-SSS Apt/Dorm Mary Christine Yu Prop	6,670,315
NHA-SSS Apt/Dorm Jose Morales Property	2,954,358
Baguio City Dormitory	2,938,278
A. Basa Property - Quezon City	1,055,825
Northern Hills Subdivision	1,036,760
Others	1,915,277
	62,065,735

Other assets include investment in joint venture with Trustek Conclad Aus-Phil., Inc. of P35 million. After the joint venture was terminated, custody to idle machineries and equipment were transferred to NHA. The equipment had been offered for bids but there were no takers. The NHA is looking for other means to dispose the assets.

13. FINANCIAL LIABILITIES

	2017	2016
Accounts payable	192,433,488	134,307,628
Due to officers and employees	52,547,638	61,653,210
Loans payable - domestic	-	95,278,406
Tax refunds payable	71,945	137,351
	245,053,071	291,376,595

Loans payable – domestic includes Urban III, LA#1821, a loan to be assumed by MWSS for water systems funded by the World Bank under the Zonal Improvement Projects, subject to issuance of a negative Advice of Allotment by the BTr. The account is net of overpayment to BTr of P1.723 million.

14. INTER-AGENCY PAYABLES

	2017	2016
Due to BIR	12,447,153	30,241,223
Due to GSIS	14,406,268	1,850,694
Due to Pag-ibig	1,393,707	580,083
Due to Philhealth	929,251	366,696
Due to government corporations	50,228,431	50,254,043
Due to LGUs	112,674,173	113,488,676
Due to subsidiaries/joint venture/associates/affiliates	1,354,203,101	1,367,083,378
Due to treasurer of the Philippines	2,611,905,834	2,472,977,947
	4,158,187,918	4,036,842,740

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

Due to government corporations includes collection from various housing projects covered by Trust Agreement such as PEA Pabahay, ATO Civil Aeronautics Administration, Pasig River Rehabilitation Commission (Kasiglahan 1-5) and BCDA.

Due to LGUs pertains to collection 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 subsidiaries/joint venture/associates/affiliates are developers' share from sales under mortgage take-out scheme in joint venture projects with the NHA.

Due to Treasurer of the Philippines are trust funds released by DBM through the BTr for the Medium-Rise Public and Private Housing and Local Housing Program as mandated in the CISFA of 1994.

The account also includes P9.096 million land cost of Dumagok Resettlement Project, which the NHA shall reimburse the national government the value of the land after the final payment of the areas reserved for socialized housing purposes by the qualified beneficiaries.

The P95.278 million loan to Urban III, LA#1821 was reclassified from Loans Payable to Due to Treasurer account in 2017, this is to be assumed by MWSS for water systems funded by the World Bank under the Zonal Improvement Projects, subject to issuance of a negative Advice of Allotment by the BTr.

15. TRUST LIABILITIES

	2017	2016
Trust liabilities		
National government agencies	2,422,650,921	1,587,659,251
Government corporations	484,426,373	463,057,920
Others – Ayala Land, Inc.	21,633,562	386,927,743
Guaranty/security deposits payable	4,403,195,616	4,059,026,292
	7,331,906,472	6,496,671,206

Trust liabilities consist of funds entrusted to NHA for special purpose and collection from beneficiaries housing projects covered by Trust Agreement.

Guaranty/security deposits payable refers to the amount deducted from the progress billing of contractors/developers to guarantee performance for the contract.

16. DEFERRED CREDITS / UNEARNED INCOME

	2017	2016 (As Restated)
Deferred income from installment sales	3,950,542,694	4,570,994,554
Depository liabilities	627,677,695	607,693,804
Deferred profit - uncollected claims	14,788,141	14,788,141
	4,593,008,530	5,193,476,499

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 represent buyers' deposit on lots and titles and rental deposit from beneficiaries of various NHA projects.

Deferred profit – uncollected claims represent amount due to G & M Realty Construction & Development Corporation, a joint venture partner in the Consuelo Heights Housing Projects in Tuguegarao, Cagayan per Court Decision under Civil Case No. Q 95-24669 dated February 2, 1998 and writ of execution dated March 1, 1999.

17. PROVISIONS AND CONTINGENT LIABILITIES

The Provision account consists of the following:

- Supreme Court Decision under Case No. G.R. 191657 dated July 31, 2017 - P400 million

The petition of NHA was denied and ordered to pay the respondents the value of a parcel of land situated in Carmona Cavite with an area of 224,287 sq.m. assessed at P1,200 per sq.m. with interest of 12 per cent per annum

from the time of demand or on April 29, 1991 until June 30, 2013 and with interest of six per cent per annum from July 1, 2013 until fully paid. The NHA negotiated with the respondent at a compromise amount of P400 million to settle its liability.

- Supreme Court Decision under Case No. G.R. 173802 dated April 7, 2014 - P278.392 million

The petition of NHA was denied and ordered to pay the respondents a just compensation of P705 per sq.m. for the properties located at Lapasan, Cagayan de Oro City, Misamis Oriental with a total area of 59,021 sq.m., plus interest of 12 per cent per annum from May 25, 1981 to December 31, 2016, totaling P298.765 million of which P20.373 million was settled in 2017. These properties were expropriated pursuant to Letter of Instructions (LOI) No. 555, Instituting a Nationwide Slum Improvement and Resettlement Program and LOI 557, Adoption of Slum Improvement as a National Housing Policy, both dated June 11, 1977.

The NHA contingent liability of P4.119 billion to Home Guaranty Corporation (HGC) relative to the terminated Smokey Mountain Asset Pool Agreement is not yet recognized in the books pending the results of the evaluation, reconciliation, coordination/mediation and compromise with the parties concerned.

18. OTHER PAYABLES

This is composed of the following:

	2017	2016
Current		
Dividends payable	18,219,574	163,670,320
Miscellaneous liability	9,860,385	6,004,240
Contractors	39,252,912	9,862,284
Pinatubo Project Management Office (PPMO)	277,780	255,839
National Government Center (NGC)	77,326,841	86,735
Other payables	150,008,421	122,341,813
	294,945,913	302,221,231
Non-current		
Contingent liability	204,029,706	196,331,835
	498,975,619	498,553,066

Pursuant to RA No. 7656, the NHA annually declare and remit dividends of at least fifty percent (50%) of Net Earnings, directly to the National Government in the name of the Treasurer of the Philippines on or before 15 May of each year.

Of the total P77 million payable to NGC, P72.771 million represents the 1st payment of Public Attorney's Office (PAO) for the social preparation and relocation of families occupying the lot where the PAO Central Office Building is to be constructed.

Miscellaneous liabilities/due to contractors consist of amounts received from prospective buyers, tenants, awardees and contractors to guarantee performance of awarded contracts.

Contingent liability for additional cost of pre-sold/completed projects represent additional cost to be incurred to complete various projects.

19. GOVERNMENT EQUITY

	2017	2016
Accumulated surplus/(deficit)	106,031,132,635	87,888,389,839
Government equity	2,893,406,770	2,893,406,770
Contributed capital	3,494,298,633	3,495,726,524
	112,418,838,038	94,277,523,133

Accumulated surplus/(deficit) contains the cumulative results of operations of the NHA and subsidy fund received from National Government.

The authorized capitalization of the Authority is P5 billion per PD No. 1924 dated May 6, 1984, to provide NHA the long-term capability to undertake the comprehensive national housing program for marginal and low income families. The amount of P2.893 billion has been issued by the National Government leaving an unissued capitalization of P2.107 billion.

Contributed Capital mostly consists of properties acquired by NHA thru Republic Acts, Executive Orders or Presidential Proclamations. The NHA in coordination with other government agencies was designated to develop, convert into housing units and administer the disposition of the properties to bonafide occupants. Its detailed composition is as follows:

Joint venture project/asset pool	
Vitas Reclamation Project	1,520,185,412
Smokey Mountain Development and Reclamation Project	758,110,161
Thru PD/PP	
Three lots from the Municipality of Pasig, Cainta and Taytay	56,415,806
Lualhati housing project-Baguio City	17,425,060
DAR BPI Compound (Cresencia Village), Baguio City	21,600,000
Lot located in Barangay Katipunan, Q.C.	14,513,760
Land cost of Tala 1 MRH	26,209,000
Land cost-Maria Orosa and Jorge Bacobo Housing Project	108,200
Liang Housing Project, Surigao del Sur	37,820,160
Caingin Housing Project, Iloilo	26,034,720
Tala Estate, Caloocan City	15,460,016
Bagong Silang Project, Phase XI, Package 10	21,461,165
Land cost of Tala 2 MRH, Caloocan City	52,000,000
Bagong Silang Project, Phase XI, Package 9	14,533,506
SMDRP (MRB-10B)	65,862,720
Land cost of Tala 3 MRH	52,171,600

Barangay Valencia Project, Quezon City	18,510,000
Tala Development Project Phase 5	50,235,000
Tala Development Project Phase 2	45,781,000
Tala Development Project Phase 4	277,863,640
Camp Greg PNP Housing Project	8,793,823
From other government agency (thru PD/PP)	
Monterraza Subdivision, Benguet from PMS	117,618,100
Lot from DPWH at Sta. Ana Manila	17,753,151
Lot from DSWD at Sta. Ana Manila	10,826,000
Polo Transmitting Community Development Cooperative—from DOTC	193,450
Philippine Centennial Village Project, Taguig – from BCDA	242,724,323
Housing for 1 st Dist. of Agusan del Norte – from DPWH	3,263,360
Donation	
Three motor vehicles	800,500
One computer unit	25,000
	3,494,298,633

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 sq.m. multiplied by P6,000, the existing zonal valuation of lot.

The Smokey Mountain certificate of P1.403 billion is a non-interest bearing participation certificates issued by the Asset Pool for the conveyance of the Smokey Mountain site & the 79 hectares Manila Bay Foreshore property. The value was reduced to P758 million with the application of loss on sale of housing units.

The three lots from Pasig, Cainta and Taytay with an area of 171.03 hectares more or less were transferred to the NHA on the last quarter of 1999. These lots are intended for socialized housing under PP No. 458 dated August 29, 1994.

The 8,981.99 sq.m. at P1,940/sq.m. land in Barangay Lualhati, Baguio was acquired thru PD No. 262 as amended by PD No.396 dated March 1989.

The BPI Compound, Cresencia Village in Baguio City is intended for socialized housing under PP No. 360 and MOA dated August 05, 1999, OCT No. P-3045 and Special Patent No. 3659.

The land located at Barangay Katipunan Quezon City was conveyed per Deed of Re-conveyance and the Board approved the conversion of its land use from slaughterhouse site to residential lot for proper distribution and award to its occupants under Board Resolution No. 4477 dated January 2002.

The amount of P26.209 million represents partial land cost of Tala I MRH, 26,209 sq.m. at P1,000 per sq.m. under PP No. 843 as amended by RA No. 7999 and Proclamation No. 366.

The amount of P37.820 million represents Lianga Housing Project located at Barangay 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 RA No. 7279.

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

The Tala Estate with 808 hectares in Caloocan City was transferred to NHA thru PP No. 843 for housing and urban development and other various government uses.

Projects in Bagong Silang, Phase XI, Package 10; Tala 2; Bagong Silang, Phase XI, Package 9; Tala 3; and Tala Development Project Phase 5 & 2 in Caloocan City amounting to P21.461, P52, P14.534, P52.172, P50.235 and P45.781 million, respectively, are under PP No. 843.

The P65.863 million represents the cost of 14,520 sq.m. lot for the construction of the (9) five-storey low rise building for the SMDRP.

The P18.510 million is a parcel of land located in Barangay Valencia, Quezon City which was declared under PP No. 543, a socialized housing site for disposition in favor of bonafide occupants.

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

The 10,826 sq.m. lot located in Sta. Ana, Manila from DSWD identified as lots 6 and 11, Blk 22 located at Sta. Ana Manila covered by TCT No. 234394 and 234399 at P1,000 per sq.m. for Bo. Puso Homeowners Association.

The 20,315 sq.m. lot located in Sta. Ana, Manila, was transferred by 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 3,869 sq.m. at P50/sq.m. land in Karuhatan, Valenzuela, are for proper disposition to members of Polo Transmitting Community Development Cooperative, Inc.

The Philippine Centennial Village Project in Taguig City was turned-over by HUDCC to NHA pursuant to EO No. 70/465 as amended.

The parcel of land turned-over by the DPWH thru Deed of Transfer to the NHA for disposition primarily to barangays under 1st District of Agusan del Norte.

The motor vehicles donated by the Japan International Cooperation Agency (JICA) and the KINHILL PTY. LTD and the computer donated by Meiy Construction.

The amount of P8.794 million represents the land cost of Camp Gregg PNP Ville Housing Project under Presidential Proclamation No. 262.

20. REVALUATION SURPLUS

This account consists of the following:

	2017	2016
Government Center, North Triangle	6,127,219,012	6,127,219,012
Pinaglabanan, San Juan LRB	99,388,800	99,388,800
Manggahan Floodway Residential Bldg. Project (MMDA Depot)	18,213,500	-
	6,244,821,312	6,226,607,812

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. and the Smokey Mountain Project in Tondo, Manila.

21. SUBSIDY INCOME FROM THE NATIONAL GOVERNMENT

As of December 31, 2017, the total allotment for the various projects amounted to P159.196 billion. Details are shown as follows:

Projects	Amount Advice of Allotment	Cash Received		Total Utilization		Balance of Cash	Balance of Allotment	
		2017	2016 and prior	2017	2017			
Disbursement Acceleration Program								
1	Housing Project for Families Living along Danger Areas in Metro Manila	10,000,000,000	-	7,115,366,000	195,991,524	8,771,510,970	(1,852,136,494)	2,884,634,000
2	Housing Project for BFP/BJMP	500,000,000	-	408,964,000	(16,541,700)	383,752,088	41,753,612	91,036,000
3	North Triangle Relocation Project	450,000,000	-	106,325,000	-	189,170,868	(82,845,868)	343,675,000
4	Iloilo Resettlement Project	100,000,000	-	100,000,000	-	165,791,930	(65,791,930)	-
	Sub-total	11,050,000,000	-	7,730,655,000	179,449,824	9,510,225,856	(1,959,020,680)	3,319,345,000
Regular Appropriation								
1	Permanent Housing Project for Typhoon Yolanda	26,324,121,000	4,204,132,000	298,107,000	3,226,643,689	624,938,210	650,657,101	21,821,882,000
2	Housing Program for ISFs Living in Danger Areas in Metro Manila	23,465,603,347	3,176,918,000	13,109,200,000	2,262,423,791	13,328,987,263	694,706,946	7,179,485,347
3	Resettlement Program	17,910,247,955	-	14,256,526,955	1,243,894,350	11,468,583,381	1,544,049,224	3,653,721,000
4	ISFs Affected by the Supreme Court's Mandamus to clear off Manila Bay	8,674,327,955	-	-	-	-	-	8,674,327,955
5	AFP/PNP/BFP/BJMP/ BuCor Housing Program	7,179,740,000	-	1,132,830,000	356,791,332	1,656,304,931	(880,266,263)	6,046,910,000
6	Emergency Housing Assistance for Calamity Victims	1,386,279,000	394,260,000	865,165,000	329,652,208	1,083,898,784	(154,125,992)	126,854,000
7	Community Facilities for Existing Relocation Sites	536,087,000	19,733,352	-	180,184	-	19,553,168	516,353,648
8	"Zamboanga Conflict" Housing Project	347,319,000	-	309,189,000	113,786,132	81,125,693	114,277,175	38,130,000
9	Settlements Upgrading Program	227,845,000	-	142,834,000	81,231,730	44,676,984	16,925,286	85,011,000
10	Marawi Transitional Housing Project	218,537,125	33,032,000	-	62,192,903	-	(29,160,903)	185,505,125
11	Relocation Assistance	102,528,000	-	-	-	-	-	102,528,000

Projects	Amount Advice of Allotment	Cash Received		Total Utilization		Balance of Cash	Balance of Allotment	
		2017	2016 and prior	2017	2017			
Sub-total	86,372,635,382	7,828,075,352	30,113,851,955	7,676,796,319	28,288,515,246	1,976,615,742	48,430,708,075	
Other Releases								
1	AFP and PNP Housing Project	13,190,580,000	-	13,190,580,000	20,354,158	11,016,259,769	2,153,966,073	-
2	Permanent Housing Project for Typhoon Yolanda	40,340,978,000	10,948,448,000	13,594,107,000	6,615,204,635	14,334,264,477	3,593,085,888	15,798,423,000
3	Typhoon Pablo Housing Project	4,084,600,000	336,168,000	3,408,933,000	78,507,843	3,481,253,506	185,339,651	339,499,000
4	"Zamboanga Conflict" Housing Project	2,593,735,775	-	2,566,000,000	(697,116,717)	3,152,093,249	111,023,468	27,735,775
5	Reconstruction and Rehabilitation Program Fund	1,500,000,000	444,588,000	348,595,000	233,056,619	652,978,853	(92,852,472)	706,817,000
6	Irosin Resettlement Project	63,040,000	-	63,040,000	-	60,424,000	2,616,000	-
Sub-total	61,772,933,775	11,729,204,000	33,171,255,000	6,250,006,538	32,697,273,854	5,953,178,608	16,872,474,775	
Grand Total	159,195,569,157	19,557,279,352	71,015,761,955	14,106,252,681	70,496,014,956	5,970,773,670	68,622,527,850	

Allotment amounting to P100 million was fully obligated for the Iloilo Resettlement Project as of June 30, 2014.

Out of the P450 million allotment, only P163.298 million was obligated as of June 30, 2014 for the North Triangle Relocation Project, thus leaving a balance of P286.702 million which was released as a Supplemental Appropriation.

Out of the P10 billion allotment, only P8.710 billion was obligated for the Housing Project for Families Living along Danger Areas in Metro Manila as of June 30, 2014, thus leaving a balance amounting to P1.595 million (P8.710 - P7.115 million) which cannot be further obligated due to the Supreme Court declaration.

Out of P500 million cash received for the BFP/BJMP Housing Project, P91.036 million was remitted to the Bureau of Treasury on November 11, 2015.

22. SERVICE AND BUSINESS INCOME

	2017	2016
Service income		
Permit fees	93,240	89,020
Clearance and certification fees	4,560,906	3,825,228
Processing fees	50,425,766	32,255,234
Other service income	151,412	89,965
Fines and penalties-service income	143,890	48,805
	55,375,214	36,308,252
Business income		
Rent/lease income	330,363,158	325,055,534
Sales revenue	382,777,070	843,590,870
Interest income	56,379,714	50,881,791
Share in the profit/revenue of joint venture	2,267,855	-
Fines and penalties-business income	121,609,616	95,728,337

	2017	2016
Management fees	171,292,459	116,313,657
Other business income	189,674,258	172,327,820
	1,254,364,130	1,603,898,009
	1,309,739,344	1,640,206,261

23. PERSONNEL SERVICES

	2017	2016
Salaries and wages		
Salaries and wages – regular	392,342,409	362,308,777
Other compensation		
Personnel economic relief allowance	24,144,958	25,935,396
Representation allowance	7,793,386	8,203,255
Transportation allowance	3,835,938	4,236,157
Clothing/uniform allowance	5,065,653	5,475,000
Subsistence allowance	22,950	11,350
Laundry allowance	3,130	1,548
Productivity incentive allowance	35,614	36,468
Honoraria	1,649,024	559,338
Hazard pay	102,442	52,282
Longevity pay	80,959	-
Overtime and night pay	2,059,716	465,968
Year-end bonus	32,771,622	30,161,493
Cash gift	4,886,250	5,275,000
Other bonuses and allowances	86,039,926	130,144,874
Personnel benefit contributions		
Retirement and life insurance premiums	41,857,098	42,840,399
Pag-IBIG contributions	1,201,900	1,268,800
PhilHealth contributions	4,010,250	3,994,551
Employees compensation insurance premiums	1,205,455	1,270,250
Other personnel benefits		
Retirement gratuity	15,766,960	4,667,524
Terminal leave benefits	37,412,702	25,953,486
Other personnel benefits	9,704,777	14,848,758
	671,993,119	667,710,674

24. MAINTENANCE AND OTHER OPERATING EXPENSES

	2017	2016
Traveling expenses		
Local	21,206,244	16,852,301
Foreign	1,832,771	333,229
Training and scholarship expenses		
Training	6,387,333	3,955,799

	2017	2016
Supplies and materials expenses		
Office supplies	21,397,315	19,709,745
Accountable forms	1,743,400	1,830,885
Drugs and medicines	25,105	72,126
Medical, dental & laboratory supplies	2,860	41,060
Fuel, oil, and lubricants	8,206,067	6,714,863
Semi-expendable machinery and equipment	732,979	1,438,705
Semi-expendable furniture, fixtures and books	2,089,801	3,015,615
Other supplies and materials	1,001,175	1,003,589
Utility expenses		
Water	10,482,656	9,957,874
Electricity	28,643,145	25,936,444
Communication expenses		
Postage and courier services	1,244,336	1,211,583
Telephone	5,600,703	6,030,119
Internet subscription	1,991,103	1,541,867
Cable, satellite, telegraph and radio	53,334	29,352
Survey, research, exploration and development expenses		
Survey	1,128,400	515,550
Demolition/relocation and desilting/drilling/dredging expenses		
Demolition and relocation	88,163	13,434
Confidential, intelligence and extraordinary expenses		
Extraordinary and miscellaneous expenses	134,585	132,830
Professional services		
Legal	292,786	342,673
Auditing	28,360,124	28,214,638
Consultancy	4,930,991	1,321,347
Other professional	210,344,883	180,151,978
General services		
Janitorial services	14,650,939	15,182,811
Security services	80,273,882	79,936,255
Repairs and maintenance		
Land improvements	4,228,493	12,719,864
Buildings and other structures	5,956,221	3,610,698
Machinery and equipment	1,295,038	1,440,007
Transportation equipment	4,458,627	5,031,781
Furniture and fixtures	70,727	96,736
Semi-expendable machinery and equipment	2,700	14,747
Semi-expendable furniture and fixtures	3,200	-
Other property, plant and equipment	-	98,093
Taxes, insurance premiums and other fees		
Taxes, duties and licenses	13,844,421	11,033,291
Fidelity bond premiums	1,719,255	1,526,545
Insurance expenses	12,968,693	14,055,394
Other Maintenance and Operating Expenses		
Advertising, promotional and marketing	2,333,120	478,921

	2017	2016
Printing and publication	2,023,999	2,299,547
Representation	4,657,741	4,491,005
Transportation and delivery	11,460	1,797,382
Rent/lease	8,115,733	7,010,579
Membership dues and contributions to organizations	24,500	45,600
Subscription	329,953	277,326
Donations	143,000	45,000
Documentary stamp	1,689	240
Other maintenance and operating	47,141,900	32,336,534
	562,175,550	503,895,962

25. FINANCIAL EXPENSES

	2017	2016 (As Restated)
Interest expenses	10,219,676	10,065,816
Bank charges	56,137	67,051
Other financial charges	-	94,768
	10,275,813	10,227,635

26. NON-CASH EXPENSES

	2017	2016
Depreciation		
Land improvements	1,851,901	898,991
Buildings and other structures	8,325,827	2,971,555
Machinery and equipment	23,860,040	18,660,186
Transportation equipment	9,510,455	10,247,474
Furniture, fixtures and books	437,262	1,848,862
Other property, plant and equipment	454,854	409,536
Impairment loss		
Loans and receivables	1,279,475	100,399,691
	45,719,814	135,436,295

27. NON-OPERATING INCOME / LOSSES

	2017	2016
Non-operating income		
Gain on sale of PPE (including unserviceable)	153,226	91,255
Proceeds from insurance/indemnities	2,146,654	1,454,479
Miscellaneous income	27,942,813	21,599,421
	30,242,693	23,145,155

	2017	2016
Non-operating losses		
Loss on sale of assets	(580,568)	(6,993,123)
Loss of assets	-	(12,572)
	(580,568)	(7,005,695)
	29,662,125	16,139,460

28. SEPARATE SET OF BOOKS

28.1 National Government Center

On March 29, 2005, the Home Guaranty Corporation (HGC) transferred to the NHA the operation and management of the NGC Housing Project, by virtue of RA No. 9207, otherwise known as the 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 HGC has acquired proprietary interest.

The transactions of the NGC Housing Project are off-books transactions and a separate set of books are being maintained for this trust fund and, therefore, not included in the Agency's financial statements.

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 NGC 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.

The financial position of NGC and the results of its operations are as follows:

	2017	2016	Increase (Decrease)
Financial position			
Assets	1,171,634,006	885,534,872	286,099,134
Liabilities	1,202,624,344	958,552,124	244,072,220
Equity	(30,990,338)	(73,017,252)	42,026,914
Financial performance			
Revenue	68,745,312	28,373,465	40,371,847
Expenses	28,082,993	22,532,427	5,550,566
Net income	40,662,319	5,841,038	34,821,281

28.2 Pinatubo Project Management Office

EO No. 552 dated August 1, 2006, mandates the HUDCC to transfer the administration and management of the Mt. Pinatubo Lowland Communities and all other functions performed by the PPMO to the NHA.

The NHA established a Trust Fund for the Mt. Pinatubo and maintains a separate set of books independent from the books and records of the NHA.

The HUDCC turned-over 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.

The financial position and the results of operations of trust for Mt. Pinatubo Lowland Communities are as follows:

	2017	2016	Increase (Decrease)
Financial position			
Assets	2,674,717,107	2,665,392,826	9,324,281
Liabilities	102,010,104	88,542,463	13,467,641
Equity	2,572,707,003	2,576,850,363	(4,143,360)
Financial performance			
Revenue	1,182,422	756,831	425,591
Expenses	5,856,367	2,150,628	3,705,739
Net income	(4,673,945)	(1,393,797)	(3,280,148)

29. FINANCIAL RISK MANAGEMENT

29.1 Credit risk

Credit risk refers that one will default by failing to make the required payments. The risk of financial loss due to inability or unwillingness to settle one's obligation in accordance with the agreed terms. Since the NHA is providing housing assistance to informal settler families and low salaried government employees, the exposure to credit risk is of great magnitude.

The NHA, in managing its credit risk, makes regular review of policies regarding loan restructuring and lowering of interest. Past due accounts are being monitored and evaluated closely. The NHA also engages in livelihood programs to help the beneficiaries meet their daily needs.

29.2 Liquidity risk

Liquidity risk refers to the possibility that the NHA will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or

another financial asset. The NHA manages liquidity risk by maintaining adequate reserves to meet its currently maturing obligations.

29.3 Interest rate risk

Interest rate risk (IRR) is the exposure to adverse movements in interest rates. In managing the IRR, the NHA invests in financial institutions with a fixed interest rate agreement either for 30 days or 90 days. Any variation in the interest rate will not have a material impact on the net profit of the NHA.

Moreover, interest rate exists in the trade receivables/interest bearing assets due to the change in the assets value resulting from the variability of interest rates. The financial expenses being charged in the cost of assets vary depending on the payment of principal and interest on the borrowings by the NHA.

30. PENDING CASES IN COURT

As of December 31, 2017, 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 (Annex A).

31. RELATED PARTY DISCLOSURE

As of December 31, 2017, the composition of the NHA Board of Directors is as follows:

	Board Position	Name	Position from Other Agency
1	Chairman	Eduardo D. Del Rosario	Chairman, HUDCC
2	Member	Salvador C. Medialdea	Executive Secretary, OP
3	Member	Ernesto M. Pernia	Secretary, NEDA
4	Member	Mark A. Villar	Secretary, DPWH
5	Member	Carlos G. Dominguez III	Secretary, DOF
6	Member	Silvestre H. Bello III	Secretary, DOLE
7	Member	Ramon M. Lopez	Secretary, DTI
8	Member	Marcelino P. Escalada Jr.	General Manager, NHA

31.1 Key Management Personnel Remuneration and Compensation

The key management personnel of the NHA are the General Manager, Assistant General Manager and the various Department Managers of the operating groups. The remuneration of key management personnel during the year is as follows:

	2017	2016
Salaries	5,910,540	3,446,507
Other allowances and benefits	1,964,798	2,926,873
	7,875,338	6,373,380

Meanwhile, the total remuneration received by the Board of Directors during the years 2017 and 2016 were P121,700 and P130,004, respectively.

32. COMPLIANCE WITH TAX LAWS

In compliance with the requirements set forth by BIR Revenue Regulations Nos. 15-2010 and 19-2011, the following are the taxes and withholding taxes paid and accrued by the NHA during CY 2017:

	Amount
Taxes paid during CY 2017:	
On compensation	68,104,264
Expanded	54,009,197
VAT and other percentage tax	36,912,969
Taxes withheld (to be paid in CY 2018):	
On compensation	2,867,433
Expanded	5,991,722
VAT and other percentage tax	3,565,274
	171,450,859

The NHA, being the primary government agency in charge of providing housing for the underprivileged and homeless, shall be exempted from the payment of all fees and charges of any kind, whether local or national, such as income and real taxes. All documents or contracts executed by and in favor of the NHA shall also be exempted from the payment of documentary stamps and registration fees including fees required for the issuance of transfer certificates of titles per Section 19 of RA No. 7279, otherwise known as the Urban Development and Housing Act of 1992, providing tax incentives to GOCCs and LGUs as well as Private Mortgage Program, amending for the purpose pertinent provisions of Sections 2.4 and 5 of Revenue Regulations No. 9-93.

33. MANDATORY SALARY DEDUCTIONS

The NHA has complied with the GSIS regulations on the proper deductions of GSIS premiums from the salaries of employees and the timely remittances thereof to the GSIS in accordance with RA No. 8291.

The statutory deductions withheld from the salaries of employees were remitted to the Home Development Mutual Fund or Pag-IBIG as required under PD No. 1752.

Management remitted the PhilHealth personal and corporate share contributions on a monthly basis as required under Section 20 (b) Title III, Rule III of the Revised Implementing Rules and Regulations of RA No. 9241.