

NATIONAL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2018
(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 by the Office of the President (OP), 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 the lead agency in the implementation of the Rail-related Relocation and Resettlement Program.

AO No. 9 issued on April 11, 2011 by the OP, 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.

AO No. 03 otherwise known as Task Force Bangon Marawi was issued on June 28, 2017 by the OP for the recovery, reconstruction and rehabilitation of the City of Marawi and other affected localities.

The registered office address of the NHA is located at Elliptical Road, Diliman, Quezon City. NHA has 34 district offices within Metro Manila and in 13 regions of the country. The

NHA is under the Office of the President and shall exist for 50 years but may be extended. As of December 31, 2018, the NHA has a total of 2,653 employees.

The financial statements of the NHA for CY 2018 were approved for issuance per NHA Board Resolution No. 6521 dated February 27, 2019.

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 in 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 GCG-Memorandum Order No. 2016-12.

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

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

a. *Statement of Compliance with Philippine Public Sector Accounting Standards*

The NHA financial statements have been prepared in compliance with the Philippine Public Sector Accounting Standards (PPSAS) and as prescribed by the Commission on Audit (COA) through the following COA Resolutions:

COA Resolution Number/Date	Particulars
2014 – 003 January 24, 2014	Prescribed the adoption of 25 PPSAS effective January 1, 2014 by Non-Government Business Entities (Non-GBEs). These PPSAS were based on the International Public Sector Accounting Standards (IPSASs) which were published in the 2012 Handbook of International Public Sector Accounting Pronouncements (HIPSAP) of the International Public Sector Accounting Standards Board.
2015 – 040 December 01, 2015	Amended the effectivity of the adoption of the PPSAS to January 1, 2016.

COA Resolution Number/Date	Particulars
2017 – 006 April 26, 2017	Adoption of additional six PPSAS and update 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.

b. Presentation of Financial Statements

COA Circular No. 2015-003 dated April 16, 2015 classified NHA as a Non-GBE. Pursuant to COA Circular No. 2015-010 dated December 1, 2015, 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.

The preparation of the financial statements is also in accordance with COA Circular No. 2017-004 dated December 13, 2017 on the guidelines on the preparation of the financial statements and other financial reports and implementation of PPSAS by Non-GBEs.

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 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.

c. Functional and Presentation Currency

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.

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. 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 the 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 receives funds from 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 separate financial statements or a subsidiary ledger for each fund/project. However, the trust funds 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.

3.3. Financial instruments

a. Financial assets

The NHA's financial assets include cash and cash equivalent, and loans and receivables as at December 31, 2018.

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

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.

Derecognition

The NHA derecognizes a financial asset or where applicable, a part of a financial asset or part of NHA of similar financial assets when:

1. the contractual rights to the cash flows from the financial asset expired or waived; and
2. the NHA has transferred its contractual rights to receive the cash flows of the financial assets, or retains the contractual rights to receive the cash flows of the financial assets but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets the conditions set forth in PPSAS No. 29; and either the entity has:
 - transferred substantially all the risks and rewards of ownership of the financial asset; or
 - neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset but has transferred the control of the asset.

Impairment of financial assets

The NHA assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include the following indicators:

1. The debtors or a group of debtors are experiencing significant financial difficulty;
2. Default or delinquency in interest or principal payments;
3. The probability that debtors will enter bankruptcy or other financial reorganization; and
4. Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults).

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.

Subsequent measurement

The measurement of financial liabilities depends on their classification.

1. Financial liabilities at fair value through surplus

Financial liabilities at fair value through surplus or deficit include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through surplus or deficit.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PPSAS No. 29.

Gains or losses on liabilities held for trading are recognized in surplus or deficit.

2. Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well through the effective interest method amortization process.

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.

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. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in surplus or deficit.

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

3.4. 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.

3.5. 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.

3.6. Investment property

A property will be recognized as Investment Property if it is held to earn rentals or for capital appreciation or both, if future economic benefits are probable to flow to the entity and its cost is reliably measurable. 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 properties are measured using the cost model and are depreciated using the straight-line method over their estimated useful life of 20-30 years, based on the structure, size and design of the building.

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.

3.7. 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.

3.8. 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.

- a. NHA as a lessee

i. Finance lease

Finance leases are leases that transfer substantially all the risk and rewards incidental to ownership of the leased item to the NHA.

Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The NHA also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured at the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the NHA will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

ii. Operating lease

Operating leases are leases that do not transfer substantially all the risks and rewards incidental to ownership of the leased item to the NHA. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

b. NHA as a lessor

i. Finance lease

The NHA recognizes lease payments receivable under a finance lease as assets in the statement of financial position. The assets are presented as receivable at an amount equal to the net investment in the lease.

The finance revenue is recognized based on a pattern reflecting a constant periodic rate of return on the net investment in the finance lease.

ii. Operating lease

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 these assets of NHA.

3.9. 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 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 probable 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 financial statements.

3.10. 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.

3.11. 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.

3.12. 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.

NHA applies Installment Sales Method for dealing with the uncertainty of cash collections where the risk and rewards of the goods are not fully transferred at the time of sale. This method of revenue recognition defers gross profit until cash from the sale is received.

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

3.13. 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/Equity (Statement III) and Statement of Cash Flows (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 SCBAA. 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 Surplus/Deficit for the period	(1,234.045)	(1,234.045)
Items included in SCBAA but not included in Statement of Financial Performance		
Services and business income	1,612.144	7,359.650
Unutilized budgeted amount	-	87,229.146
Shares, grants and donations	200.000	-
Other income	5,432.490	(21.809)
Personnel services	112.188	(106.701)
MOOE	(100.804)	(311.392)
Capital expenditures	(13,460.082)	(92,440.403)
Other expenses	(347.661)	-
	(6,551.725)	1,708.491
Items included in Statement of Financial Performance but not included in SCBAA		
Gross income	(1,616.998)	(1,616.998)
Financial expenses	(5.902)	0.083
Non-cash expenses	47.079	47.079
Discounts/rebates	27.530	27.530
Financial assistance subsidy	1,653.378	1,653.378
	105.087	111.072
Net fund sources/uses	(7,680.683)	585.518

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 December 31, 2018 is presented as follows:

	Statement V- Actual vs Statement IV	Statement V- Budget vs Statement IV
	(In Millions)	
Net cash flow	3,930.096	3,930.096
Items included in SCBAA but not included in Statement of Cash Flow		
Services and business income	-	7,359.650
Unutilized budgeted amount	-	87,229.146
Unutilized budget on capital expenditures	-	(78,980.321)
Unutilized budget on personnel services and MOOE	.001	(429.476)
	.001	15,178.999
Differences and items included in Statement of Cash Flow but not included in SCBAA		
Collection from awardees/beneficiaries	-	(1,612.144)
Cash received from donations	-	(200.00)
Other collections	-	(5,454.299)

	Statement V- Actual vs Statement IV	Statement V- Budget vs Statement IV
	(In Millions)	
Payment of taxes, duties and licenses	-	5.985
Other expenses	-	347.661
Cash and cash equivalents at beginning of the year	(11,610.780)	(11,610.780)
	(11,610.780)	(18,523.577)
Net fund sources/uses	(7,680.683)	585.518

3.14. 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, the Director-General of the National Economic and Development Authority, the Secretary of Finance, the Secretary of Labor, the Secretary of Trade and 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.

3.15. Employee benefits

The employees of NHA are members of the Government Service Insurance System (GSIS), which provides life and retirement insurance coverage; Philippine Health Insurance Corporation (PHIC), which provides health insurance coverage and ensure affordable, acceptable and available health care services; and Home Development Mutual Fund (HDMF), which provides affordable shelter financing.

The NHA recognizes the undiscounted amount of short term employee benefits, like salaries, wages, bonuses, allowance, etc., as expense unless capitalized, and as a liability after deducting the amount paid.

3.16. Events after the reporting date

Post year-end events that provide additional information about the NHA's financial position at the end of reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

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:

	2018	2017
Cash on hand		
Collecting officers	22,389,812	10,918,043
Petty cash	395,988	451,557
Cash in bank		
Current account	3,414,222,657	10,743,701,385
Savings account	214,170,446	198,195,277
Time deposits	278,917,304	657,513,361
	3,930,096,207	11,610,779,623

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.

The decrease of P7.681 billion from the CY 2017 balance was caused primarily by the non-receipt of enough subsidy from the National Government for CY 2018. The P284.733 million of the total Current and Savings Accounts are held garnished by the PVB in view of Construction Industry Arbitration Commission Case No. 13-2014, Blue Star Construction and Development Corporation (BCDC) vs NHA. The Court of Appeals issued a final and executory decision reversing the final award, dismissed the complaint and denied the Petition for Review of BCDC on May 28, 2018 and on October 15, 2018, NHA filed a Very Urgent Motion to Lift/Cancel Notice of Garnishment and Release Order of Money to CIAC.

6. RECEIVABLES

This is composed of the following:

	2018	2017
Current:		
Loans and receivables	5,619,824,967	5,226,542,628
Inter-agency receivables	3,162,739,592	2,716,812,588
Other receivables	11,537,787	44,886,265

	2018	2017
	8,794,102,346	7,988,241,481
Non-current:		
Loans and receivables	56,631,756,899	56,013,511,124
Inter-agency receivables	298,646,169	295,611,483
	56,930,403,068	56,309,122,607

6.1. Loans and Receivables

	2018	2017
Current:		
Accounts receivable (AR)		
Rental receivable	2,552,610,515	2,459,262,342
Receivable from installment sales	1,539,397,545	1,506,847,039
Receivable from mortgage sales	106,055,665	106,058,377
Receivable from cash sales	606,222	606,222
Allowance for impairment - rental	(265,176,363)	(266,565,164)
	3,933,493,584	3,806,208,816
Interest receivable	48,084,832	48,826,025
Loans receivable – Local Government		
Units (LGUs)	19,258,184	9,327,841
Loans receivable – others	1,618,988,367	1,362,179,946
	5,619,824,967	5,226,542,628
Non-current:		
Accounts receivable	9,150,213,183	8,892,921,064
Loans receivable - LGUs	171,702,456	189,089,462
Loans receivable - others	47,309,841,260	46,931,500,598
	56,631,756,899	56,013,511,124

Receivable from cash sales is covered by Deed of Sale to be collected in a year's time.

Rental receivable mainly pertains to receivable from the 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 (MRT Dev Co) executed a Memorandum of Agreement and Assignment of Agreement wherein DOTr assigned its Depot Development Rights Payment (DRP) due from MRT Dev Co and authorized the latter to remit the same to NHA. The NHA, starting July 2007, receives monthly remittance from MRT Dev Co.

Allowance for impairment of P265.176 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:

Age	Rate of Allowance (in per cent)
4 to 6 months	10
7 to 12 months	20
1 to 3 years	30
Over 3 to 5 years	40
Over 5 years	50

6.2. Allowance for impairment

	Balance 1/1/2018	Additional Provision	Recoveries/ Write-offs/ Adjustments	Balance 12/31/2018
Accounts receivable	266,565,164	132,738	1,521,539	265,176,363
Loans receivable - LGUs	60,605,941		1,563,752	59,042,189
Loans receivable - others	128,126,109		2,025,216	126,100,893
Other receivables	7,245,994	-	-	7,245,994
	462,543,208	132,738	5,110,507	457,565,439

Receivable from mortgage sales is the amount due as NHA share from financing partners like Home Development Mutual Fund (HDMF) and National Home Mortgage Finance Corporation (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 and delinquency interests 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 (LGUs) 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 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 P48.085 million pertains to accrued interest on installment sales from accounts with one year arrearages per aging report.

6.3. Inter-agency receivables

	2018	2017
Current:		
Due from LGUs	2,064,184,242	1,680,191,486
Due from National Government Agencies (NGAs)	1,090,423,322	1,028,489,074
Due from Government-owned and Controlled Corporations (GOCCs)	8,132,028	8,132,028
	3,162,739,592	2,716,812,588
Non-current:		
Due from NGAs	195,127,361	227,084,642
Due from LGUs	103,518,808	68,526,841
	298,646,169	295,611,483

Due from NGAs represents advances of NHA to Department of Public Works and Highways (DPWH), Department of Health (DOH) and Department of Social Welfare and Development (DSWD) which are subject to liquidation. Majority of the cash advance to DPWH is for the implementation of the Zamboanga City Roadmap to Recovery and Reconstruction Plan. The fund covers the expenses necessary for land development and civil works which were conceptualized due to the armed conflict that caused heavy damage and burning of homes in Zamboanga on September 9, 2013.

This also includes receivables from the 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 are the advances made in 1983 to the Office of the President for the implementation of the Malacañang Community Environmental Renewal Project (MACERP) amounting to P19.534 million.

Due from LGUs are advances to different LGUs, 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 loans to LGUs covered by a Memoranda of Agreement.

Due from GOCCs represents advances/loans to various GOCCs subject for reimbursement to NHA. Due from Metropolitan Waterworks and Sewerage System (MWSS) amounting to P5.630 million refers to the cost of repair and rehabilitation works of sewerage lift stations, connection of water service lines, rental for the MWSS - Zonal Improvement Project (ZIP) team and various

charges. Due from Philippine National Oil Company (PNOC) amounting to P2.484 million 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.

6.4. Other receivables

	2018	2017
Due from Non-Government Organizations/ People's Organizations (NGOs/POs)	3,994,750	3,654,028
Receivables-disallowances/charges	682,856	682,856
Due from officers and employees	22,027	16,536
Other receivables	6,838,154	40,532,845
	11,537,787	44,886,265

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

Other receivables represent receivables from beneficiaries for water and electric services. The decrease of P33.074 million was due to reclassification of dormant portion to other non-current assets.

7. INVENTORIES

This consists of the following:

	2018	2017
Merchandise inventory		
Completed development for sale - Building	24,357,455,011	17,677,967,702
Completed development for sale - land	17,861,760,436	15,588,930,782
	42,219,215,447	33,266,898,484
Property and equipment for distribution		
Completed development for transfer - Building	737,205,789	266,675,711
Completed development for transfer - land	299,504,006	288,121,353
	1,036,709,795	554,797,064
Work-in-process inventory		
Housing units	5,192,003,026	5,155,458,945
Resettlement projects	3,533,710,519	3,404,221,810
Community facilities	867,259,981	1,160,389,201
Slum upgrading	89,134,585	88,889,178
Sites and services	22,963,547	22,963,547
	9,705,071,658	9,831,922,681
Inventory held for consumption		
Office supplies	14,027,260	8,764,841
Other supplies and materials	103,521	103,521
Drugs and medicines	92,455	105,718

	2018	2017
	14,223,236	8,974,080
	52,975,220,136	43,662,592,309

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 a 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, Department of Local Government and Community Development, Local Water Utilities Administration, DepEd 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:

	2018	2017
Advances		
Advances for operating expenses	115,144,502	55,915,140
Advances to special disbursing officer	6,893,170	2,765,534
Advances for payroll	672,616	1,542,974
Advances to officers and employees	211,352	36,624

	122,921,640	60,260,272
Prepayments		
Advances to contractors	3,034,693,878	3,005,118,752
Prepaid insurance	422,058	418,367
	3,035,115,936	3,005,537,119
	3,158,037,576	3,065,797,391

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 per cent of the contract cost.

9. INVESTMENTS

	2018	2017
Investments in joint venture		
Urban Triangle Development Project	4,765,388,309	5,254,142,851
AFP Military Housing	15,205,628	15,205,628
Barangay McKinley	12,197,970	12,197,970
Zamboanga Teachers Village Housing	10,047,693	10,047,693
Concepcion Resettlement Site	6,500,000	6,500,000
San Juan Cooperative Housing	6,075,033	6,176,579
Canduman Resettlement Project	5,049,934	5,049,934
Kadayawan Homes	4,355,582	4,355,582
Various joint venture projects	23,305,878	23,299,105
Investments in stocks	38,890	38,890
	4,848,164,917	5,337,014,232

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. (ALI) on August 27, 2009 to develop part of North Triangle Property consisting of 281,829 square meters (sqm.) of land into a mixed-use complex at P21,000 per sqm. In return for their respective contributions to the project, the NHA shall receive an allocation of 28.28 per cent while ALI shall receive 71.72 per cent.

10. INVESTMENT PROPERTY

This consists of:

Investment Property	2018			2017		
	Land	Building	Total	Land	Building	Total
Cost						
January 1						
Additions/Acquisitions	297,102,056	47,806,250	344,908,306	297,102,056	62,397,457	359,499,513
Disposal/Adjustments	-	701,591,924	701,591,924	-	-	-
Transfer to and from Inventories/PPE	(2,987,452)	(183,676)	(3,171,128)	-	(14,591,207)	(14,591,207)
	294,114,604	749,214,498	1,043,329,102	297,102,056	47,806,250	344,908,306
Accumulated Depreciation						
January 1	-	38,146,649	38,146,649	-	50,941,789	50,941,789
Charge for the year	-	5,598,887	5,598,887	-	-	-
Disposal/Adjustments	-	(165,309)	(165,309)	-	(12,795,140)	(12,795,140)
	-	43,580,227	43,580,227	-	38,146,649	38,146,649
	294,114,604	705,634,271	999,748,875	297,102,056	9,659,601	306,761,657

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

11. PROPERTY 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, 2018	1,255,005,661	20,889,133	239,106,686	234,641,489	121,162,637	4,085,946	2,845,200	138,500,927	2,016,237,679
Additions/Acquisitions	8,223,523	-	1,267,860	13,678,097	12,418,900	700,087	-	49,960,810	86,249,277
Disposal/Adjustments	(75,603,827)	(1,524,158)	(1,478,403)	19,733	514,951	-	-	(420,919)	(78,492,623)
	1,187,625,357	19,364,975	238,896,143	248,339,319	134,096,488	4,786,033	2,845,200	188,040,818	2,023,994,333
Accumulated Depreciation									
Jan. 1, 2018	-	5,996,896	142,489,714	124,571,595	91,602,765	2,173,462	1,674,765	-	368,509,197
Charge for the year	-	1,672,948	5,799,827	24,210,569	7,940,404	544,928	352,611	-	40,521,287
Disposal/Adjustments	-	137,780	-	(2,456,903)	6,761	619	-	-	(2,311,743)
	-	7,807,624	148,289,541	146,325,261	99,549,930	2,719,009	2,027,376	-	406,718,741
	1,187,625,357	11,557,351	90,606,602	102,014,058	34,546,558	2,067,024	817,824	188,040,818	1,617,275,592
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
Accumulated 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	23,860,040	9,510,455	437,262	454,854	-	44,440,339
Disposal/Adjustments	-	-	(51,278,736)	9,940	(8,037,707)	619	-	-	(59,305,894)
	-	5,996,897	142,489,714	124,571,594	91,602,766	2,173,462	1,674,765	-	368,509,198
	1,255,005,661	14,892,237	96,616,972	110,069,895	29,559,870	1,912,484	1,170,435	138,500,927	1,647,728,481

Land represents cost of land utilized for project offices of NHA, staff building, livelihood centers, other structures and 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.

Fully depreciated property and equipment such as office equipment, information technology equipment, motor vehicles and other property and equipment acquired in 1997-2014 with an aggregate residual value of P37,083,736.39 that remains in service or in use are still reported unless disposed or destroyed.

12. OTHER NON-CURRENT ASSETS

	2018	2017
Loans and receivables		
Loans receivable – LGUs	57,963,711	60,605,941
Allowance for impairment – LGUs	(59,042,189)	(60,605,941)
Accounts receivable-mortgage sales	42,808,688	43,128,664
Loans receivable – others	126,100,893	127,974,298
Allowance for impairment – others	(126,100,893)	(128,126,109)
	41,730,210	42,976,853
Inter-agency receivables		
Due from LGUs	27,842,701	27,842,701
Due from GOCCs	17,252,212	17,252,212
Due from NGAs	167,944	167,944
	45,262,857	45,262,857
Other receivables		
Other receivables	41,794,538	7,245,994
Allowance for impairment-other receivable	(7,245,994)	(7,245,994)
	34,548,544	-
Other assets		
Restricted fund	7,150,943,276	5,308,939,772
Foreclosed property/assets	61,395,783	62,065,735
Guaranty deposits	50,026,709	86,557,183
Advances to contractors	16,571,321	16,571,321
Prepaid rent	467,865	572,865
Other assets	678,198,929	678,198,929
	7,957,603,883	6,152,905,805
	8,079,145,494	6,241,145,515

Loans receivable – LGUs are loans extended by the NHA for the following programs/projects which are non-moving for more than five years:

Slum upgrading	692,187
Regional cities development	103,974
ZIP	6,270,950
Pambansang Bagong Nayon	6,566,232
Joint venture project	5,007,575
Various housing, improvement of water system, survey and drainage works	39,322,793
	57,963,711

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 Statements of Disbursements have not yet been 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.

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.

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

Guaranty deposits are deposits made to 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. The increase in this account is due to newly opened bank accounts for the Trust Fund received from the Office of the President, Public Attorney's Office (PAO) and DPWH.

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

NHA-SSS Apt/Dorm Leila Cristobal Prop	17,142,510
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	1,245,326
	61,395,783

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 machinery 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

	2018	2017
Accounts payable	326,978,041	192,433,488
Due to officers and employees	101,667,220	52,547,638
Tax refunds payable	959,661	71,945

	2018	2017
	429,604,922	245,053,071

The increase in this account is mainly due to:

- Accounts Payable – large amount of unreleased checks for CY 2018
- Due to Officers and Employees – accrual of loyalty awardees incentive, ISO incentive and 2018 christmas gift check; and
- Tax Refunds Payable – monthly withholding of taxes from newly regularized emergency hires whose taxable income for 2018 is P250,000.00 or less

14. INTER-AGENCY PAYABLES

	2018	2017
Due to Treasurer of the Philippines	2,056,479,226	2,611,905,834
Due to subsidiaries/joint venture/associates/ affiliates	115,499,115	1,354,203,101
Due to LGUs	67,734,464	112,674,173
Due to government corporations	49,752,092	50,228,431
Due to BIR	19,375,694	12,447,153
Due to GSIS	13,270,831	14,406,268
Due to Pag-IBIG	1,476,103	1,393,707
Due to Philhealth	1,357,146	929,251
	2,324,944,671	4,158,187,918

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 Public Estates Authority, Pabahay, Air Transportation Office Civil Aeronautics Administration, Pasig River Rehabilitation Commission (Kasiglahan 1-5) and Bases Conversion and Development Authority (BCDA).

Due to LGUs pertains to collection from various 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 Department of Budget and Management 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, Loan Agreement #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 ZIP, subject to issuance of a negative Advice of Allotment by the BTr.

15. TRUST LIABILITIES

	2018	2017
Trust liabilities		
NGAs	8,891,864,057	2,422,650,921
GOCCs	483,202,408	484,426,373
Others	1,929,620,289	21,633,562
Guaranty/security deposits payable	4,204,552,243	4,403,195,616
	15,509,238,997	7,331,906,472

Trust liabilities consist of funds entrusted to NHA for special purpose and collection from beneficiaries housing projects covered by Trust Agreement. This account registered an increase in CY 2018 due to trust funds received from DPWH & Office of the President and reclassification of Due to LGUs & Due to Subsidiaries/Joint Venture/Associates/Affiliates account.

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

	2018	2017
Deferred income from installment sales	4,071,715,010	3,700,630,205
Depository liabilities	604,218,059	627,677,695
Deferred profit - uncollected claims	14,788,141	14,788,141
	4,690,721,210	4,343,096,041

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:

	2018	2017
Supreme court decision – G.R. 173802	276,282,177	278,392,336
Supreme court decision – G.R. 191657	40,000,000	400,000,000
	316,282,177	678,392,336

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

The petition of NHA was denied and it was ordered to pay the respondents a just compensation of P705 per sqm. for the properties located at Lapasan, Cagayan de Oro City, Misamis Oriental with a total area of 59,021 sqm., plus interest of 12 per cent per annum from May 25, 1981 to December 31, 2016, totaling P298.765 million of which a total of P22.483 million had been settled as at December 31, 2018. 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.

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

The petition of NHA was denied and it was ordered to pay the respondents the value of a parcel of land situated in Carmona Cavite with an area of 224,287 sqm. assessed at P1,200 per sqm. 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. Upon signing of the compromise agreement in June 2018, NHA paid the respondents P360 million and the balance of P40 million will be paid upon release of the title to NHA.

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:

	2018	2017
Current:		
Dividends payable	32,262,771	18,219,574
Other payables	171,155,855	276,726,339
	203,418,626	294,945,913
Non-current:		
Other payables	210,711,751	204,029,706
	210,711,751	204,029,706

Pursuant to RA No. 7656, the NHA annually declares and remits dividends of at least 50 per cent of Net Earnings, directly to the National Government in the name of the Treasurer of the Philippines on or before May 15 of each year.

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

19. GOVERNMENT EQUITY

	2018	2017
Accumulated surplus/(deficit)	105,014,737,057	106,281,045,124
Government equity	2,893,406,770	2,893,406,770
Contributed capital	3,494,306,718	3,494,298,633
	111,402,450,545	112,668,750,527

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

	2018	2017
Joint venture project/asset pool		
Vitas Reclamation Project	1,520,185,412	1,520,185,412
Smokey Mountain Development and Reclamation Project	758,110,161	758,110,161
	2,278,295,573	2,278,295,573
Thru PD/PP		
Three lots from the Municipality of Pasig, Cainta and Taytay	56,423,891	56,415,806
Lualhati housing project-Baguio City	17,425,060	17,425,060
DAR BPI Compound (Cresencia Village), Baguio City	21,600,000	21,600,000
Lot located in Barangay Katipunan, Q.C.	14,513,760	14,513,760
Land cost of Tala 1 MRH	26,209,000	26,209,000
Land cost-Maria Orosa and Jorge Bacobo Housing Project	108,200	108,200
Liang Housing Project, Surigao del Sur	37,820,160	37,820,160
Caingin Housing Project, Iloilo	26,034,720	26,034,720
Tala Estate, Caloocan City	15,460,016	15,460,016

	2018	2017
Bagong Silang Project, Phase XI, Package 10	21,461,165	21,461,165
Land cost of Tala 2 MRH, Caloocan City	52,000,000	52,000,000
Bagong Silang Project, Phase XI, Package 9 SMDRP (MRB-10B)	14,533,506	14,533,506
Land cost of Tala 3 MRH	65,862,720	65,862,720
Barangay Valencia Project, Quezon City	52,171,600	52,171,600
Tala Development Project Phase 5	18,510,000	18,510,000
Tala Development Project Phase 2	50,235,000	50,235,000
Tala Development Project Phase 4	45,781,000	45,781,000
Camp Greg PNP Housing Project	277,863,640	277,863,640
	8,793,823	8,793,823
	822,807,261	822,799,176
From other government agency (thru PD/PP)		
Monterraza Subdivision, Benguet from PMS	117,618,100	117,618,100
Lot from DPWH at Sta. Ana Manila	17,753,151	17,753,151
Lot from DSWD at Sta. Ana Manila	10,826,000	10,826,000
Polo Transmitting Community Development Cooperative—from DOTC	193,450	193,450
Philippine Centennial Village Project, Taguig – from BCDA	242,724,323	242,724,323
Housing for 1 st Dist. of Agusan del Norte – from DPWH	3,263,360	3,263,360
	392,378,384	392,378,384
Donation		
Three motor vehicles	800,500	800,500
One computer unit	25,000	25,000
	825,500	825,500
	3,494,306,718	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 sqm. 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 and 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 in the last quarter of 1999. These lots are intended for socialized housing under PP No. 458 dated August 29, 1994.

The 8,981.99 sqm. at P1,940/sqm. land in Barangay Lualhati, Baguio was acquired thru PP No. 262 dated September 23, 2002 amending PP No. 396 dated March 31, 1989.

The Bureau of Plant Industry (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 sqm. at P1,000 per sqm. 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 PP 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 sqm., 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 and 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 sqm. 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, as a socialized housing site for disposition in favor of bonafide occupants.

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

The Presidential Management Staff donated the Monterraza property covering an area of 88,474 sqm. 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 sqm. 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 sqm. for Bo. Puso Homeowners Association.

The 20,315 sqm. 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 sqm. at P50/sqm. 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.

20. REVALUATION SURPLUS

This account consists of the following:

	2018	2017
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	18,213,500
	6,244,821,312	6,244,821,312

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.

21. SUBSIDY INCOME FROM THE NATIONAL GOVERNMENT

As at December 31, 2018, the total allotment for the various projects amounted to P164.105 billion. Details are shown as follows:

Projects	Amount Advice of Allotment	Cash Received		Total Utilization		Balance of Cash	Balance of Allotment	
		2018	2017 and prior	2018	2017 and prior			
Disbursement Acceleration Program								
1	Housing Project for Families Living Along in Danger Areas in Metro Manila	8,710,162,000	-	7,115,366,000	139,095,479	8,967,502,494	(1,991,231,973)	1,594,796,000
2	Housing for BFP / BJMP	408,964,000	-	408,964,000	954,250	367,210,388	40,799,362	-
3	North Triangle Relocation Project	450,000,000	-	106,325,000	(40,969,823)	189,170,868	(41,876,045)	343,675,000
4	Iloilo Resettlement Project	100,000,000	-	100,000,000	-	165,791,930	(65,791,930)	-
	Sub-total	9,669,126,000	-	7,730,655,000	99,079,906	9,689,675,680	(2,058,100,586)	1,938,471,000
Regular Appropriation								
1	Permanent Housing Project for Typhoon Yolanda	26,324,121,000	-	4,502,239,000	4,981,397,751	3,851,581,899	(4,330,740,650)	21,821,882,000
2	Housing Program for ISFs Living in Danger Areas in Metro Manila	23,465,603,347	275,952,000	16,286,118,000	1,784,394,719	15,591,411,053	(813,735,772)	6,903,533,347
3	Resettlement Program	18,487,467,955	-	14,256,526,955	693,559,503	12,712,477,731	850,489,721	4,230,941,000
4	ISF's 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	9,742,290,000	-	1,132,830,000	524,215,975	2,013,096,263	(1,404,482,238)	8,609,460,000
6	Emergency Housing Assistance for Calamity Victims	1,386,279,000	-	1,259,425,000	67,995,019	1,413,550,992	(222,121,011)	126,854,000
7	Community Facilities for Existing Relocation Sites	536,087,000	-	19,733,352	4,543,705	180,184	15,009,463	516,353,648

Projects	Amount Advice of Allotment	Cash Received		Total Utilization		Balance of Cash	Balance of Allotment	
		2018	2017 and prior	2018	2017 and prior			
8	"Zamboanga Conflict" Housing Project	347,319,000	-	309,189,000	-	194,911,824	114,277,176	38,130,000
9	Settlements Upgrading Program	227,845,000	-	142,834,000	2,307,926	125,908,714	14,617,360	85,011,000
10	Marawi Transitional Housing Project	218,537,125	42,839,000	33,032,000	104,515,395	62,192,903	(90,837,298)	142,666,125
11	Relocation Assistance	102,528,000	-	-	-	-	-	102,528,000
12	Socialized Housing at Maslabeng Buluan, Maguindanao	20,067,000	-	-	-	-	-	20,067,000
13	Resettlement for Families Affected by Bukidnon Airport	20,000,000	-	-	-	-	-	20,000,000
14	Relocation of ISFs in Brgy. Cuta & Sta. Clara, Batangas	49,910,000	-	-	-	-	-	49,910,000
Sub-total		89,602,382,382	318,791,000	37,941,927,307	8,162,929,993	35,965,311,563	(5,867,523,249)	51,341,664,075
Other Releases								
1	AFP and PNP Housing Project	13,190,580,000	-	13,190,580,000	705,207,113	11,036,613,926	1,448,758,961	-
2	Permanent Housing Project for Typhoon Yolanda	40,340,978,000	-	24,542,555,000	3,889,845,448	20,949,469,112	(296,759,560)	15,798,423,000
3	Cateel, Davao Oriental	5,000,000	-	5,000,000	-	5,000,000	-	-
4	Typhoon Pablo Housing Project	4,084,600,000	-	3,745,101,000	167,026,282	3,559,761,349	18,313,369	339,499,000
5	"Zamboanga Conflict" Housing Project	2,593,735,775	-	2,566,000,000	9,103,759	2,454,976,532	101,919,709	27,735,775
6	Reconstruction and Rehabilitation Program Fund	1,500,000,000	34,016,000	793,183,000	176,136,299	886,035,472	(234,972,771)	672,801,000
7	Irosin Resettlement Project	63,040,000	-	63,040,000	-	60,424,000	2,616,000	-
8	NDRRMF - Repair and rehab of existing resettlement site for families affected by Typhoon Nina in 2016	699,986,898	-	-	-	-	-	699,986,898
9	Rehabilitation of Most Affected Area in Marawi	2,355,500,000	-	-	-	-	-	2,355,500,000
Sub-total		64,833,420,673	34,016,000	44,905,459,000	4,947,318,901	38,952,280,391	1,039,875,708	19,893,945,673
Grand Total		164,104,929,055	352,807,000	90,578,041,307	13,209,328,800	84,607,267,634	(6,885,748,127)	73,174,080,748

The amount of P8.710 billion was only the reported allotment for the Housing Project for Families Living along Danger Areas in Metro Manila out of the total P10 billion allotment since the remaining amount of P1.595 million could no longer be released by the BTr due to the Supreme Court declaration that the fund intended for Disbursement Acceleration Program (DAP) was considered as unconstitutional.

The DAP fund of P408.964 million for the Bureau of Fire Protection (BFP)/Bureau of Jail Management and Penology (BJMP) represents the amount of allotment at net of P91.036 million that was remitted to the BTr on November 11, 2015.

Out of the P450 million allotment, only P106.325 million was received from the BTr for the North Triangle Relocation Project. The balance of allotment of P343.675 million includes the amount of P286.702 million which was released as a supplemental appropriation.

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

22. SERVICE AND BUSINESS INCOME

	2018	2017
Service income		
Processing fees	42,930,790	50,425,766
Clearance and certification fees	4,223,472	4,560,906
Permit fees	161,433	93,240
Fines and penalties-service income	66,692	143,890
Other service income	414,923	151,412
	47,797,310	55,375,214

	2018	2017
Business income		
Rent/lease income	338,052,205	330,363,158
Management fees	309,997,100	171,292,459
Sales revenue	307,805,772	382,777,070
Fines and penalties-business income	173,645,410	121,609,616
Interest income	42,233,725	56,379,714
Share in the profit/revenue of joint venture	653,397	2,267,855
Other business income	196,298,317	189,674,258
	1,368,685,926	1,254,364,130
	1,416,483,236	1,309,739,344

Rental/lease income generated from Investment properties includes:

Project	Amount
Vitas Reclamation	13,090,374
Bagong Barrio	482,358
BLC Pag-asa	193,166
Government Center (DoTr)	290,571,152
Tatalon Estate Urban Bliss	1,001,568
BLC Taguig	4,166,476
Maharlika Village - Residential	168,616
Maharlika Village - Commercial	14,268
TBC II MIA	4,498
	309,692,476

23. SHARES, GRANTS AND DONATIONS

	2018	2017
Income from grants and donations in cash	200,000,000	-
Income from grants and donations in kind	514,951	-
	200,514,951	-

Donations in cash represents donation from Freeman Financial Group for the construction of community facilities and housing units for the families displaced by the Marawi siege.

Donations in kind represents one unit of Mitsubishi L300 van from Mitsubishi Motors.

24. PERSONNEL SERVICES

	2018	2017
Salaries and wages		
Salaries and wages – regular	527,827,534	392,342,409
	527,827,534	392,342,409
Other compensation		
Year-end bonus	44,770,692	32,771,622
Personnel economic relief allowance	32,375,963	24,144,958
Clothing/uniform allowance	8,206,710	5,065,653
Representation allowance	7,619,101	7,793,386

	2018	2017
Cash gift	6,840,250	4,886,250
Overtime and night pay	4,544,232	2,059,716
Transportation allowance	3,457,993	3,835,938
Honoraria	1,679,482	1,649,024
Hazard pay	128,584	102,442
Productivity incentive allowance	35,614	35,614
Subsistence allowance	21,750	22,950
Laundry allowance	2,966	3,130
Longevity pay	-	80,959
Other bonuses and allowances	143,636,852	86,039,926
	253,320,189	168,491,568
Personnel benefit contributions		
Retirement and life insurance premiums	67,520,483	41,857,098
PhilHealth contributions	6,311,194	4,010,250
Employees compensation insurance premiums	1,602,100	1,205,455
Pag-IBIG contributions	1,593,500	1,201,900
	77,027,277	48,274,703
Other personnel benefits		
Terminal leave benefits	34,238,515	37,412,702
Other personnel benefits	12,357,630	9,704,777
Retirement gratuity	12,152,003	15,766,960
	58,748,148	62,884,439
	916,923,148	671,993,119

25. MAINTENANCE AND OTHER OPERATING EXPENSES

	2018	2017
Traveling expenses		
Local	24,602,492	21,206,244
Foreign	1,216,878	1,832,771
	25,819,370	23,039,015
Training and scholarship expenses		
Training	11,732,762	6,387,333
Scholarship grants	24,660	-
	11,757,422	6,387,333
Supplies and materials expenses		
Office supplies	21,622,943	21,397,315
Fuel, oil, and lubricants	10,914,021	8,206,067
Semi-expendable furniture, fixtures and books	5,699,346	2,089,801
Semi-expendable machinery and equipment	1,011,448	732,979
Accountable forms	894,000	1,743,400
Drugs and medicines	45,556	25,105
Medical, dental & laboratory supplies	2,051	2,860
Other supplies and materials	3,301,097	1,001,175
	43,490,462	35,198,702
Utility expenses		
Electricity	31,901,011	28,643,145

	2018	2017
Water	11,123,584	10,482,656
	43,024,595	39,125,801
Communication expenses		
Telephone	6,563,255	5,600,703
Internet subscription	2,346,031	1,991,103
Postage and courier services	1,431,667	1,244,336
Cable, satellite, telegraph and radio	33,068	53,334
	10,374,021	8,889,476
Survey, research, exploration and development		
Survey expenses	1,188,560	1,128,400
	1,188,560	1,128,400
Demolition/relocation and desilting/ drilling/ dredging expenses		
Demolition and relocation expenses	44,311	88,163
	44,311	88,163
Confidential, intelligence and extraordinary		
Extraordinary and miscellaneous expenses	110,410	134,585
	110,410	134,585
Professional services		
Auditing	32,116,746	28,360,124
Consultancy	7,142,363	4,930,991
Legal	284,141	292,786
Other professional	166,619,286	210,344,883
	206,162,536	243,928,784
General services		
Security services	93,749,816	80,273,882
Janitorial services	15,588,221	14,650,939
	109,338,037	94,924,821
Repairs and maintenance		
Buildings and other structures	9,222,428	5,956,221
Transportation equipment	5,847,441	4,458,627
Land improvements	1,533,590	4,228,493
Machinery and equipment	1,304,785	1,295,038
Furniture and fixtures	111,975	70,727
Semi-expendable furniture and fixtures	64,035	3,200
Semi-expendable machinery and equipment	14,180	2,700
	18,098,434	16,015,006
Taxes, insurance premiums and other fees		
Insurance expenses	14,859,250	12,968,693
Taxes, duties and licenses	9,033,743	13,844,421
Fidelity bond premiums	2,545,354	1,719,255
	26,438,347	28,532,369
Other Maintenance and Operating Expenses		
Rent/lease	7,917,366	8,115,733
Representation	5,469,777	4,657,741
Printing and publication	4,577,218	2,023,999
Donations	1,895,000	143,000
Advertising, promotional and marketing	1,123,969	2,333,120
Subscription	279,724	329,953

	2018	2017
Transportation and delivery	177,972	11,460
Membership dues and contributions to organizations	23,530	24,500
Documentary stamp	195	1,689
Other maintenance and operating	63,354,451	47,141,900
	84,819,202	64,783,095
	580,665,707	562,175,550

Majority of this account comprises of rent/lease of office spaces of regional/district offices and staff houses. Estimated rent/lease expenses for the next three years are as follows:

Office Space and Staff House	Payable within the next year (2019)	Payable within the next two to three years (2020-2021)
District IV	1,257,167	2,514,334
Region I	921,060	1,842,120
Region 3A (Bulacan District Office)	200,400	400,800
Bicol Region	360,000	720,000
Cagayan De Oro	160,800	321,600
General Santos	144,000	288,000
Koronadal	853,766	1,707,531
Butuan	504,000	1,008,000
Bacolod	268,800	537,600
Zamboanga	786,240	1,572,480
Davao	1,620,945	3,241,889
Cebu	986,496	1,972,992
Iloilo	547,835	1,095,671
	8,611,509	17,223,017

26. FINANCIAL ASSISTANCE

	2018	2017
Financial assistance/subsidy-others	1,651,377,839	1,348,723,333
Financial assistance	2,000,000	-
	1,653,377,839	1,348,723,333

Financial Assistance/Subsidy-Others refers to expenses chargeable to Subsidies received from National Government, allotted for the implementation of various projects/ programs of NHA for families affected by calamities, regular resettlement and relocation of informal settlers.

The Financial Assistance refers to the grant of ₱10,000.00/unit subsidy to Informal Settler Families living in danger areas for 200 completed housing units at ₱135,000.00/unit in San Luis Villas Resettlement Project located in Brgy. Dimatubo, San Luis, Aurora Province.

27. FINANCIAL EXPENSES

	2018	2017
Bank charges	83,166	56,137
Interest expenses	-	10,219,676
	83,166	10,275,813

28. NON-CASH EXPENSES

	2018	2017
Depreciation		
Machinery and equipment	24,210,569	23,860,040
Transportation equipment	7,940,404	9,510,455
Buildings and other structures	5,799,827	8,325,827
Investment property	5,598,887	-
Land improvements	1,672,948	1,851,901
Furniture, fixtures and books	544,928	437,262
Other property, plant and equipment	352,611	454,854
	46,120,174	44,440,339
Impairment loss		
Loans and receivables	958,924	1,279,475
	958,924	1,279,475
	47,079,098	45,719,814

29. NON-OPERATING INCOME / LOSSES

	2018	2017
Non-operating income		
Miscellaneous income	19,495,534	27,942,813
Proceeds from insurance/indemnities	2,014,551	2,146,654
Gain on sale of PPE (including unserviceable)	545,752	153,226
	22,055,837	30,242,693
Non-operating losses		
Loss on sale of assets	(247,028)	(580,568)
	(247,028)	(580,568)
	21,808,809	29,662,125

30. SEPARATE SET OF BOOKS

30.1 National Government Center (NGC)

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. On April 6, 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:

I. Comparative Financial Position

	2018	2017	Increase (Decrease)
Assets	1,069,992,746	1,171,634,006	(101,641,260)
Liabilities	1,094,224,181	1,202,624,344	(108,400,163)
Net Assets/Equity	(24,231,435)	(30,990,338)	6,758,903

II. Comparative Results of Operation

	2018	2017	Increase (Decrease)
Revenue	33,802,679	68,745,312	(34,942,633)
Expenses	28,041,607	28,082,993	(41,386)
Net income	5,761,072	40,662,319	(34,901,247)

30.2 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 NHA.

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 at 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 the trust for Mt. Pinatubo Lowland Communities are as follows:

I. Comparative Financial Position

	2018	2017	Increase (Decrease)
Assets	2,683,011,391	2,674,717,107	8,294,284
Liabilities	109,981,238	102,010,104	7,971,134
Net Assets/Equity	2,573,030,153	2,572,707,003	323,150

II. Comparative Results of Operation

	2018	2017	Increase (Decrease)
Revenue	1,443,276	1,181,003	262,273
Expenses	5,427,386	4,204,137	1,223,249
Other non-operating income(expenses), net	(74,037)	(1,650,811)	(1,576,774)
Net income	(4,058,147)	(4,673,945)	615,798

Presentation of 2017 Financial Performance was modified to conform with the 2018 presentation by disclosing separately the net other non-operating income/(expense) from the service and business income.

31. FINANCIAL RISK MANAGEMENT

31.1 Credit risk

Credit risk refers to risk 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.

31.2 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.

31.3. 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 asset's 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.

32. PENDING CASES IN COURT

As at December 31, 2018, no provision for liability was recognized or taken up in the books for the cases in court because the amount cannot be measured reliably, pending court decision (Annex A).

33. RELATED PARTY DISCLOSURE

As at December 31, 2018, the composition of the NHA Board of Directors is as follows:

Board Position	Name	Position from Other Agency
1 Chairman	Eduardo D. Del Rosario	Chairperson, HUDCC
2 Member	Salvador C. Medialdea	Executive Secretary, OP
3 Member	Ernesto M. Pernia	Secretary, National Economic and Development Authority
4 Member	Mark A. Villar	Secretary, DPWH
5 Member	Carlos G. Dominguez III	Secretary, Department Of Finance
6 Member	Silvestre H. Bello III	Secretary, Department of Labor and Employment
7 Member	Ramon M. Lopez	Secretary, Department of Trade and Industry
8 Member	Marcelino P. Escalada Jr.	General Manager, NHA

33.1 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:

	2018	2017
Salaries	8,023,568	5,910,540
Other allowances and benefits	2,505,299	1,964,798
	10,528,867	7,875,338

Meanwhile, the total remuneration received by the Board of Directors during the years 2018 and 2017 were P232,007 and P121,700, respectively.

34. COMPLIANCE WITH TAX LAWS

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

	2018	2017
Taxes paid		
VAT and other percentage tax	44,680,610	36,912,969
On compensation	28,297,556	68,104,264
Expanded	21,654,200	54,009,197
Taxes withheld		
VAT and other percentage tax	11,250,853	3,565,274
Expanded	4,331,277	5,991,722
On compensation	2,846,208	2,867,433
	113,060,704	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 property 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 RR No. 9-93

35. MANDATORY SALARY DEDUCTIONS

The NHA has complied with the Government Service Insurance System (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 HDMF 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.