

NATIONAL DEFENSE COLLEGE OF THE PHILIPPINES
Notes to Financial Statements
December 31, 2011

1. AGENCY PROFILE

The National Defense College of the Philippines (NDCP) was created on August 12, 1963 by virtue of Executive Order No. 44. It was amended by Presidential Decree No. 190 entitled “Creating the National Defense College of the Philippines and Providing for an Academic Board Thereof” in 1973, by Presidential Decree No. 452, which transferred the direct control and supervision of the College from the Armed Forces of the Philippines to the Department of National Defense (DND), in 1974. On March 13, 1999, Executive Order No. 85 was issued granting the College authority to create, establish, maintain, merge and abolish institutes and centers of learning and special studies devoted to national security administration and to accept grants and endowments. Department Order No.125 of the DND created the five (5) Institutes in NDCP. On June 22, 2010 the Rationalization Plan of NDCP was approved by the Department of Budget and Management pursuant to Executive Order No. 366 dated October 4, 2004. By virtue of EO 366, the five (5) Institutes were abolished on June 2010.

The NDCP is headed by the following officials during the year:

Comm. Carlos L. Agustin	College President	Oct. 16, 2001 to July 01, 2010
Asec. Lamberto B. Sillona	Officer-in-Charge	July 02, 2010 to July 18, 2010
Asec. Proceso T. Domingo	Officer-in-Charge	July 19, 2010 to Sept. 19, 2010
BGen Fermin De Leon	College President	Sept. 20, 2010 to date

In view of the implementation of the Rationalization Plan under Executive Order No. 366 in June 22, 2010, there was a reduction on the total personnel complement of the College during the year from 107 to 72 composed of the following: 54 permanent, ten contractual employees, one utility and seven enlisted military personnel.

2. BASIS OF FINANCIAL STATEMENTS PRESENTATION

The Financial Statements were prepared in accordance with generally accepted state accounting principles and standards.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 3.1. The agency uses accrual basis of accounting. All income and expenses are **recognized** when earned and incurred and reported in the financial statements in the period to which they relate.
- 3.2. Notice of Cash Allocation (NCA) is recorded in the Regular Agency (RA) books as well as those income/receipts which the agency is authorized to use.
- 3.3. The Modified Obligation system is used to record allotments received and obligation incurred. Separate registries are maintained to control allotments and obligations.
- 3.4. Supplies and materials purchased for inventory purposes are recorded using the Perpetual Inventory system. The costs of ending inventory of office supplies and materials and other inventory items are computed using the Moving Average Method.
- 3.5. Petty Cash Fund (PCF) account is maintained under the Imprest System. All replenishments are directly charged to the expense account. The PCF is not used to purchase regular inventory items for stock.
- 3.6. Property, Plant and Equipment (PPE) are carried at cost less accumulated depreciation.
- 3.7. The Straight Line Method of depreciation is used in depreciating the PPE with estimated useful lives ranging from five to fifty years. A residual value, computed at ten percent of the cost of asset is set and depreciation starts on the second month after purchase.
- 3.8. Accounts were reclassified to conform to the revised Chart of Accounts prescribed under the New Government Accounting System, which took effect on January 1, 2003, pursuant to COA Circular No. 2003-001.

4. CORRECTION OF FUNDAMENTAL ERRORS

Fundamental errors of prior years are corrected by using the Prior Years' Adjustments Account. Errors affecting current year's operation are charged to the current year's accounts.

5. CASH

5.5 Petty Cash Fund

The account represents the unexpended balance of petty cash issued to the designated Special Disbursing Officer (SDO) for payment of miscellaneous

expenditures which cannot be conveniently paid by check. The concerned SDO has already liquidated/refunded the cash balance of P48,545 on January 6, 2011.

5.1 Cash in Bank – Local Currency, Current Account

This account pertains to deposits held in trust as provided under Section 2 of Executive Order No. 85 which authorizes the NDCP to receive in trust, grants and endowments, etc. to use and administer the same and shall be kept and deposited in a separate account, which is LBP Current Account No. 0582-1033-05, consisting of the following:

Particulars	Amount
1. Financial Assistance from PAGCOR for the completion of student dormitory	P 12,115,000.00
2. Inter-Agency Transfer of Funds from DND	4,408,639.58
3. Collections from rental and other miscellaneous fees for maintenance and upkeep of student dormitory	396,978.39
4. Receipt of refunds for foreign travel to be paid to qualified students	155,073.69
5. Interest Income	39,352.35
<i>Total</i>	<u>P 17,115,044.01</u>

5.2 Cash in Bank-Local Currency, Savings Account – P 1,027,191.68

The account represents the grant of P1,000,000 from the National Security Council (NSC) to support the strategic research capability of NDCP. The account is held in trust and deposited with the Land Bank of the Philippines under Savings Account No. 0581-1351-81. Interest income of P204,000 was used for the pilot testing of e-MNSA program last June 2010.

6. RECEIVABLES

6.1 Accounts Receivable

This account consists of uncollected seminar fees from three (3) participants to the 16th Executive Course on National Security held at the Diamond Hotel last March 8-12, 2010.

6.2 Advances to Officers and Employees

The account consists of balance of cash advances granted to officials and employees of the College. The balance has been liquidated and the refunds were

deposited to the National Treasury in January 2011. Request for write-off for the account of Mr. Joel Delos Santos in the amount of P7,492.40 by the Commission on Audit (COA) was approved under Adjudication and Settlement Board Decision No. 2010-012 dated January 13, 2010.

Current			Past Due		
Less than 30 days	31 to 90 days	91 to 365 days	Over 1 year	Over 2 years	3 years and above
142,827.39	34,277.00	-0-	-0-	-0-	-0-

6.3 *Due from National Treasury*

This account consists of proceeds from sale of unserviceable property remitted to the National Treasury which the College is authorized to use pursuant to Section 11 of the GAA of 2010. This account shall be credited upon receipt of Notice of Cash Allocation (NCA) issued by the Department of Budget and Management.

6.4 *Other Receivables*

This pertains to the unliquidated cash advance of Ms Jenelyn Torres, former NDCP employee, amounting to P3, 177.45 whose address cannot be located. *(Note: Ms. Torres has already settled her unliquidated cash advance as evidenced by NDCP Official Receipt No. 4407997 dated 25 July 2011.)*

7. **INVENTORIES**

7.1 *Textbooks and Instructional Materials Inventory*

This consists of textbooks and instructional materials acquired for use as reference of Master in National Security Administration (MNSA) students, lecturers and faculty.

7.2 *Construction Materials Inventory*

This pertains to supplies and materials to be used for the repair and renovation of NDCP main building.

8. **PREPAYMENTS**

8.1 *Prepaid Insurance*

This consists of unexpired portion of payments made to GSIS and AFGIC for the annual insurance of various official motor vehicles and fire insurance on building.

8.2 Other Prepaid Expenses

The account represents the unexpired portion of subscription to newspapers, magazines and periodicals. The increase was due to additional subscription of journals.

9. OTHER CURRENT ASSETS

9.1 Guaranty Deposits

This account represents cash bond required under the Memorandum of Agreement dated August 22, 2002 entered into by the NDCP with Petron Greenhills Service Station for College's fuel consumption and refundable deposit to Ubix Corporation for rental of photocopier machine. Details as follows:

Particulars	Date	Amount of Bond
Petron	08-22-02	P 150,000.00
Ubix Corporation	10-30-09	10,200.00
		<u>P 160,200.00</u>

10. PROPERTY, PLANT AND EQUIPMENT

The Property Plant and Equipment (PPE) accounts increased by net amount of P5,719,709.44 as a result of this year's procurement, donation and disposal as shown below:

PPE	2009 BALANCE	INCREASE	DECREASE	2010 BALANCE
Office Building	P 88,010,000.00			P 88,010,000.00
Office Equipment	4,847,577.95	P 847,933.80		5,695,511.75
Furniture and Fixtures	289,500.00			289,500.00
IT Equipment and Software	10,393,383.38	1,257,947.00	P 1,551,426.82	10,099,903.56
Library Books	1,516,992.88			1,516,992.88
Motor Vehicles	8,682,633.25	918,000.00	736,100.00	8,864,533.25
Other PPE	14,925,279.39	645,113.30		15,570,392.69
Construction in Progress – Agency Assets	5,661,857.84	4,338,142.16		10,000,000.00
Total	P 134,327,224.69	P 8,007,136.26	P 2,287,526.82	P140,046,834.13

PPE	2009 BALANCE	INCREASE	DECREASE	2010 BALANCE
Net Increase				P 5,719,609.44

10.1 Office Buildings

This account consists of the main building constructed at Camp Emilio Aguinaldo, Quezon City, which was inaugurated on February 22, 1997.

10.2 Office Equipment

The increase is due to procurement of various equipment for use of several NDCP offices and student quarters.

10.3 IT Equipment and Software

The decrease is due to disposal of unserviceable IT equipment.

10.4 Motor Vehicles

The increase is due to receipt of donation of one motor vehicle while the decrease was due to disposal of unserviceable motor vehicles.

10.5 Other PPE

The increase was due to the reclassification of the account to Other PPE which were inadvertently taken up as Other Assets amounting to P645,113.00

10.6 Construction in Progress - Agency Assets

This account pertains to the construction of two-storey student dormitory building being undertaken by administration by the AFP Corps of Engineers. The project cost is 10M for Phase I and 12M for Phase II. Phase I has already been completed while construction of Phase II is on-going. The expected target of completion is June 2011.

10.7 Accumulated Depreciation

Account	Amount
Office Buildings	P 36,524,150.00
Office Equipment	3,968,987.32
Furniture and Fixtures	87,971.31
IT Equipment and Software	5,444,983.40

Account	Amount
Library Books	1,365,293.60
Motor Vehicles	6,305,088.20
Other Property, Plant and Equipment	14,013,353.42
Total	<u>P 67,709,827.25</u>

11. CURRENT LIABILITIES

12.1 Due to BIR – P280,410.41

This represents amount of taxes withheld from employees, consultants and suppliers for the month of December 2010. The amount was remitted in January 14, 2010.

12.2 Due to Other NGAs – P 4,408,639.58

This account refers to transfer of funds from Department of National Defense (DND) for the implementation of various Philippine Defense Reform (PDR) programs, projects and activities.

NDCP manages the PDR on Professional Development for Defense Civilians (PDDC) of the DND. PDDC aims to develop and implement a progressive education and training system to professionalize defense civilians in providing unique and critical capabilities to the DND.

12.3 Other Payables – P 155,073.69

This account represents unpaid travel allowances of Master of National Security Administration (MNSA) NDCP/DND civilian bureau students.

12. PRIOR YEARS' ADJUSTMENTS

Prior Years' Adjustments of P2,596,877.23 consists of the following:

Particulars	Amount
Refund of prior year's cash advance	P (15,989.70)
Payment of unrecorded expenses of prior years	(134,667.30)
Unrecorded prior year's issuance of inventories	(2,340,836.29)
Unrecorded expired portion of prior year's prepaid expenses	(118,423.29)
Unrecorded remittance of prior year's income	13,000.00
Overstated expenses of prior year	39.35
Total	<u>P (2,596,877.23)</u>

13. SUBSIDY INCOME FROM NATIONAL GOVERNMENT

This account includes the following:

NCA's received from DBM for payment of expenses for agency operational requirements	P 60,354,747.00
NCA received for payment of prior years' account payable	8,925.00
Tax Remittance Advices	2,427,564.07
Sub-Total	P 62,791,236.07
Less: Reversion of Unused NCA	(8,406,046.87)
Refund of Cash Advance/Expenses	(751,419.15)
Net - SING	<u>P 53,633,770.05</u>

14. INCOME FROM GRANTS AND DONATIONS

This account consists of grants and donations amounting to P13,033,000, to wit:

Donor	Purpose	Date Granted	Amount/Value
<i>Cash</i>			
Philippine Amusement and Gaming Corporation (PAGCOR)	MOA to support the completion of the student dormitory building of NDCP	Dec. 7, 2010	P12,115,000.00
<i>Non-Cash</i>			
NDCP Educational and Development Foundation Inc.	Motor Vehicle (2010 Toyota Innova E Gas M/T) for official use of NDCP	March 2, 2010	918,000.00
Total			<u>P13,033,000.00</u>

15. PERSONNEL ECONOMIC RELIEF ALLOWANCE (PERA)

Pursuant to Sec. 54 of the General Provisions of the 20101 GAA, the Personnel Economic Relief Allowance (PERA) in the amount of Five Hundred Pesos (P500) per month and the Additional Compensation in the amount of One Thousand Five Hundred Pesos (P1,500) per month, currently being received by government personnel, shall now be collectively referred to as PERA in the amount

of Two Thousand Pesos (P2,000) per month. The balance of 2009 was restated to conform with the 2010 Financial Statement presentation.

16. RETIREMENT GRATUITY

This account pertains to the payment of gratuity benefit to an employee who availed of the optional retirement under RA 1616 due to poor health condition.

17. TERMINAL LEAVE BENEFITS

The account pertains to payment of terminal leave benefits to five casual personnel of the College whose positions have been abolished upon the approval/implementation of the Rationalization Plan on June 22, 2010.

18. PRINTING AND BINDING EXPENSES

The increase in Printing and Binding Expenses is due to expense incurred in the printing of National Security Review magazines distributed to various NDCP stakeholders.

19. CONSULTANCY SERVICES

This account pertains to payment for services rendered by several persons who were hired for their special skills and knowledge. The decrease in expenses is due to termination of consultancy services of some consultants upon the approval of the Rationalization Plan.

20. JANITORIAL SERVICES

The significant increase was due to procurement of janitorial services thru agency effective October 2009 and the implementation of salary increase of utility workers.

21. REPAIRS AND MAINTENANCE – OFFICE BUILDINGS

The increase is due to repair and maintenance of 13 year old Administration Buildings, specifically the worn-out and dilapidated roof and concrete gutter.

22. REPAIRS AND MAINTENANCE – MOTOR VEHICLES

The increase is due to repairs and maintenance of NDCP motor vehicles and repairs and repainting of bus donated to NDCP.

23. DEPRECIATION – OFFICE BUILDINGS

Straight line method of depreciation is used in depreciating the office building costing P88M with an estimated useful life of 30 years and residual value of 10%

24. ALLOTMENTS, OBLIGATIONS and BALANCES

The approved budget for the NDCP for FY 2010 is P64,797,000, to wit:

Appropriations	General Administration and Support	Support to Operations	Operations	Locally Funded Project	Total
Personal Services	P 9,986,000	P 4,686,000	P 10,565,000		P 25,237,000
MOOE	11,050,000	4,597,000	11,798,000		27,445,000
Capital Outlay				12,115,000	12,115,000
Total Appropriations	P 21,036,000	P 9,283,000	P 22,363,000	P12,115,000	P53,633,000

The Status of Allotments and Obligations Incurred are presented below the details of which is presented under Annex “A”.

FUND	CATEGORY	ALLOTMENTS	OBLIGATIONS	UNEXPENDED BALANCE
101	PS	P 20,222,398.20	P 20,024,009.67	P 198,388.53
	RLIP	1,738,000.00	1,216,798.62	521,201.38
	MPBF	2,863,000.00	2,626,650.13	236,349.87
	Pension and Gratuity (RAT Plan)	667,648.00	667,647.08	0.92
	MOOE	27,659,000.00	26,816,281.47	842,718.53
	Capital Outlay	1,634,601.80	1,634,601.80	
	Total	P 54,784,648.00	P 52,985,988.77	P 1,798,659.23