



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City
Corporate Government Sector
Cluster 2 – Social Security Services and Housing

INDEPENDENT AUDITOR'S REPORT

The Board of Directors

National Home Mortgage Finance Corporation
Filomena Building III, 104 Amorsolo Street
Legaspi Village, Makati City

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the National Home Mortgage Finance Corporation, and its subsidiary Social Housing Finance Corporation which comprise the consolidated statement of financial position as at December 31, 2014, and the consolidated statement of income and expenses, consolidated statement of changes in capital deficiency and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted standards on auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of NHMFC and its subsidiary as at December 31, 2014, and of their financial performance and cash flows for the year then ended in accordance with generally accepted accounting principles in the Philippines.

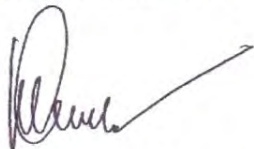
Emphasis of Matter

Without qualifying our opinion, we draw attention to Notes 7 and 7.14 to the financial statements on the accounts for clearing, presented as deductions from the Long –Term Receivable account. Accounts for clearing represents collections on amortization that have not yet been posted to individual borrowers account due to timing differences. These unposted payments are mostly due to collections from borrowers whose accounts are yet to be set up in the database and those resulting from late updating and verification with corresponding bank reports and remittances. The verification unit continually focuses on the cleansing of the accounts for clearing. On the other hand, as disclosed in Note 16.1b, the Advances from borrowers (formerly Undistributed collections account) represents advance collections on amortization, which if not accordingly distributed will render the balances of the individual accounts inaccurate.

Report on the Supplementary Information Required Under Revenue Regulation Nos. 19-2011 and 15-2010

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 19-2011 and 15-2010 in Note 27 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of the management of NHMFC. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, except for the effects of the necessary adjustments for the matters discussed in the preceding paragraphs, the supplementary information is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

COMMISSION ON AUDIT



ATTY. RESURRECION C. QUIETA
Supervising Auditor

June 18, 2015