



DR. GERVACIO I. PIATOR, MBA

CERTIFIED PUBLIC ACCOUNTANT

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**INDEPENDENT AUDITOR'S REPORT
TO ACCOMPANY INCOME TAX RETURN**

The Board of Trustees
GUGMA SA KABATAAN, INC.
M.H. Del Pilar St., Cagayan de Oro City

I have audited the financial statements of **GUGMA SA KABATAAN, INC.** for the year ended **December 31, 2018**, on which I have rendered the attached report dated April 5, 2019.

In compliance with Revenue Regulation V-20, I am stating that I am not related by consanguinity or affinity to the president or manager of the Association.

DR. GERVACIO I. PIATOR, CPA, MBA

CPA License No. 69879

TIN: 118-908-259-000

PTR No. 4092139, January 3, 2019, Cagayan de Oro City

BOA Registration No. 1608 (Valid until June 19, 2021)

... CDA CEA No. 0961 (February 21, 2017 to February 20, 2020)

BIR AN 16-005743-001-2016 (July 19, 2016 to July 19, 2019)

April 12, 2019, Cagayan de Oro City



GUGMA SA KABATAAN, INCORPORATED

M.H. Del Pilar Street, Cagayan de Oro City

STATEMENT OF FINANCIAL CONDITION

As of December 31, 2018 and 2017

(Amounts in Philippine Pesos)

| | Notes | 2018 | 2017 |
|---|-------|---------------------|---------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and Cash Equivalent | 3 | 1,219,794.82 | 1,042,900.66 |
| Advances to Employees | | 0.00 | 0.00 |
| Total Current Assets | | 1,219,794.82 | 1,042,900.66 |
| Non-Current Assets | | | |
| Property, Plant and Equipment, NET | | 46,800.00 | 0.00 |
| Other Assets | | 0.00 | 0.00 |
| Total Non-current Assets | | | |
| TOTAL ASSETS | | 1,266,594.82 | 1,042,900.66 |
| LIABILITIES & FUND BALANCE | | | |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade & Other Payables | | | |
| Deferred Income | | 499,370.59 | 554,928.86 |
| TOTAL LIABILITIES | | 499,370.59 | 554,928.86 |
| FUND BALANCE | | | |
| Accumulated Excess/Shortage | | 590,330.07 | 171,760.97 |
| Add: Program Net Income/(Loss) | | 176,894.16 | 316,210.83 |
| TOTAL FUND BALANCE | | 767,224.23 | 487,971.80 |
| TOTAL LIABILITIES & FUND BALANCE | | 1,266,594.82 | 1,042,900.66 |

(See Accompanying Notes to Financial Statements)



GUGMA SA KABATAAN, INCORPORATED

M.H. Del Pilar Street, Cagayan de Oro City

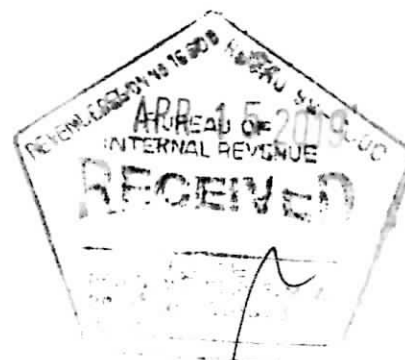
STATEMENT OF OPERATIONS

As of December 31, 2018 and 2017

(Amounts in Philippine Peso)

| | 2018 | 2017 |
|--|---------------------|---------------------|
| FUNDS RECEIVED | | |
| Receipts from Donors, Net of Taxes | 2,656,642.50 | 2,176,016.61 |
| Local Funds Raised and Other Donations | 470,000.00 | 235,600.00 |
| TOTAL CASH RECEIPTS | 3,126,642.50 | 2,411,616.61 |
| OPERATING EXPENSES | | |
| ADMINISTRATIVE EXPENSES | | |
| Salaries & Benefits | 409,500.00 | 410,889.50 |
| SSS, Philhealth & HDMF Contributions | 54,083.74 | 31,630.00 |
| Professional Fees | 20,650.00 | |
| Office Repairs and Maintenance | 10,000.00 | 10,000.00 |
| Office Rental | 78,000.00 | 78,000.00 |
| Office Supplies | 26,090.00 | |
| Utilities | 43,379.71 | |
| Taxes & Licenses | 15,000.00 | 11,230.70 |
| Depreciation | | 31,200.00 |
| Miscellaneous | | 17,198.55 |
| Total Administrative Expenses | 656,703.45 | 590,148.75 |
| PROGRAM EXPENSES | | |
| Education | 884,806.02 | 524,543.96 |
| Health | 1,169,223.87 | 828,217.35 |
| Advocacy | 89,487.00 | 40,090.00 |
| Livelihood | 33,789.00 | 67,300.00 |
| Community Organization/Development | 100,739.00 | 37,275.15 |
| Paralegal | 15,000.00 | 7,830.50 |
| Total Program Expenses | 2,293,044.89 | 1,505,256.96 |
| TOTAL OPERATING EXPENSES | 2,949,748.34 | 2,095,405.78 |
| PROGRAM NET INCOME/(LOSS) | 176,894.16 | 316,210.83 |

(See Accompanying Notes to Financial Statements)



GUGMA SA KABATAAN, INCORPORATED

M.H. Del Pilar Street, Cagayan de Oro City

STATEMENT OF CASH FLOWS

As of December 31, 2018 and 2017

(Amounts in Philippine Peso)

| | Notes | 2018 | 2017 |
|---|--------------|-----------------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Cash receipts from Germany | | 2,656,642.50 | 2,176,016.61 |
| Cash receipts from fund raising & other local donations | | 470,000.00 | 235,600.00 |
| Cash Disbursements from operations | | (2,949,748.34) | (2,095,405.78) |
| Net Cash provided by (used in) Operating Activities | | 176,894.16 | 316,210.83 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Acquisition of Property, Plant & Equipment | | 0.00 | 0.00 |
| Net Cash provided by (used in) Investing Activities | | 0.00 | 0.00 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| | | 0.00 | 0.00 |
| Net Cash provided by (used in) Financing Activities | | 0.00 | 0.00 |
| NET INCREASE(DECREASE) IN CASH | | 176,894.16 | 316,210.83 |
| ADD CASH & CASH EQUIVALENTS, JANUARY 1 | | 1,042,900.66 | 726,689.83 |
| CASH AND CASH EQUIVALENT, DECEMBER 31 | | 1,219,794.82 | 1,042,900.66 |

(See Accompanying Notes to Financial Statements)

APR 15 2019

GUGMA SA KABATAAN, INCORPORATED

M.H. Del Pilar Street, Cagayan de Oro City

STATEMENT OF CHANGES IN EQUITY

As of December 31, 2018 and 2017

(Amounts in Philippine Pesos)

| | Notes | 2018 | 2017 |
|-------------------------------|--------------|-------------------|-------------|
| FUND BALANCE | | | |
| Accumulated Excess/Shortage | | 590,330.07 | 171,760.97 |
| Add Program Net Income/(Loss) | | 176,894.06 | 316,210.83 |
| Fund Balance, End | | 767,224.23 | 487,971.80 |

(See Accompanying Notes to Financial Statements)

APR 15 2019

NOTES TO FINANCIAL STATEMENTS
GUGMA SA KABATAAN, INCORPORATED

1. GENERAL INFORMATION & NATURE OF OPERATIONS

Gugma sa Kabataan, Incorporated ("Love for Children"), is a non-stock, non-profit organization founded in December 2004, which was duly registered with the Securities and Exchange Commission on May 5, 2005 with registration number CN200527120. It is also registered and accredited in the Department of Social Welfare and Development. As a social welfare agency, it aims to reaching out children in Cagayan de Oro City.

Its objectives are the following:

1. To provide training and skills that are needed to be self-reliant;
2. To re-establish contacts with their families and if not feasible to make referrals with other organization for residence and
3. To provide alternative schools that will update information and knowledge.

For 13 years of operation, the organization supported 35-40 street children a year and it continually helps their parents on livelihood programs.

Its present address is in M.H. Del Pilar, Cagayan de Oro City, Philippines.

The Board of Directors authorized these financial statements of the organization for the year ended December 31, 2018 for issue on March 31, 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Below are the significant accounting policies and practices of the organization.

2.1 Basis of Preparation/Partial Adoption of New/Revised Philippine Accounting Standards

The financial statements have been prepared in conformity with accounting principles generally accepted in the Philippines using historical costs basis, except for revaluation of certain property plant & equipment. The measurement bases are more fully described in the accounting policies. The accounting principles followed and used include PAS 101 (as a non-publicly accountable entity) and partly by the following new/revised Philippine Accounting Standards (PAS)/Philippine Financial Reporting Standards (PFRS) which are effective for financial reporting last December 31, 2004:

PAS 1 – Presentation of Financial Statements.

Provides framework of financial statements presentation. It requires more specific balance sheet line items (tax liabilities, provisions, non-current interest bearing debt, among others; financial statements must be comparative; and, has a number of new disclosure requirements.

The standard also requires presentation of comparative information.

PAS 8 – Accounting Policies, Change in Accounting Estimates and Errors

The standard is applied in selecting and applying accounting policies, and accounting for changes in accounting policies, changes in accounting estimates and correction of prior period errors.

PAS 10 – Events after Balance Sheet Date

The standard is applied in the accounting for, and disclosure of events after balance sheet date

PAS 16 – Property, Plant and Equipment

PAS 16 (a) provides additional guidance and clarification on recognition and measurement of property, plant and equipment; requires capitalization of the costs of asset dismantling, removal or restoration; and requires measurement of an item of property and equipment acquired in exchange for a non-monetary asset or a combination of monetary and non-monetary assets at fair value, unless the exchange transaction lacks commercial substance. The standard also provides guidelines for de recognition (e.g., disposal).

PAS 24 – Related Party Transactions

This standard applies in: (a) identifying related party relationships transaction; (b) identifying outstanding balances between an entity and its related parties; identifying the circumstances in which disclosures to be made about these items.

PAS 36 – Impairment of Assets

This standard applies in accounting for the impairment of assets other than those covered by separate standards.

PAS – 2 Inventories

Prescribed the accounting treatment for inventories

PAS – 7 Cash flow Statements

Prescribes the provision of information about the historical changes in cash and cash equivalents of an entity by means of a cash flow statement, which classifies cash flows during the period from operating, investing and financing activities

PAS 18 – Revenue

Prescribes the accounting treatment for revenue arising from certain types of transaction and events

2.2 Management's Use of Judgments and Estimates

The financial statements are prepared in conformity with the above-mentioned accounting principles accepted in the Philippines, which require management to make estimates, and assumptions that affect the amounts reported in the financial statements are based on management's evaluation of relevant facts and circumstances as of date of the financial statements. Actual results could differ from such estimates. The key estimates/assumptions concerning the future that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

2.3 Estimated Useful Lives

The useful life of each of the company's property or equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. It is possible, however, that the future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above.

2.4 Asset Impairment

PFRS requires that an impairment review be performed when certain impairment indicators are present. Determining the value of property and equipment, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires to company to make estimate and assumptions that can materially affect its statement of assets, liabilities and fund balance. Future events could cause the Company to conclude that the property and equipment are impaired. Any resulting impairment loss shall be charged to operations.

2.5 Functional and Presentation Currency

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Philippine Peso, which is the Company's functional and presentation currency.

2.6 Revenues Recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of revenue can be measured reliably. Revenues from transactions of the Company are recognized on a cash basis.

2.7 Cash & Cash Equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term; highly liquid investments that are readily convertible to known amounts of cash and with original maturities of three months or less and that are subject to an insignificant risk of change in value.

2.8 Receivables

Receivables, if any, are valued at face value, net of allowance for doubtful accounts and any anticipated adjustments that will reduce the amount to its estimated realizable value. The allowance for doubtful accounts is determined after a study of the estimated collectability of the receivable balances and evaluation of such factors as aging of the accounts, collection expense of the Company in relation to the particular receivable, past and expected loss experiences and identified doubtful accounts.

2.9 Inventories

Inventories are stated at acquisition cost. Cost is determined by the first-in, first out method.

2.10 Property and Equipment

Property and Equipment are carried at cost less accumulated depreciation and impairment in value. Depreciation is computed using the straight-line method over the estimated useful lives of the properties. PPE was revaluated at 30% of the original asset value.

2.11 Impairment of Assets

The carrying amounts of the Company's non-current assets are reviewed at each balance sheet date to determine whether there is indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

2.12 Costs and Expenses

Costs and expenses, not directly attributable to capitalizable assets or projects, are recognized and charged to operations as incurred.

2.13 Accounting Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the Philippines requires the Company to make estimates and assumptions that affect the reported amounts on income, expenses, resources, liabilities, and disclosure of contingent resources and liabilities. Actual results could differ from those estimates.

3. CASH & CASH EQUIVALENTS

This Consists of the amount deposited to Philippine National Bank, for the following:

- a. Peso Checking Account – For day to day transactions.*
- b. Peso Savings Account – For local donations*

4. DEFERRED INCOME

These are cash receipts from international donors as budget for the next fiscal year.

5. OTHER ASSETS

This consists of Unused Office Supplies Php 0.00 for the year ended December 31, 2018.

6. TRADE & OTHER PAYABLES

This consists of the following:

1. Accounts Payable
2. Withholding tax payable
3. SSS Payables
4. HDMF Payables
5. Philhealth Payables

7. REMITTANCES

This is the amount given by the Germany funding agency. It includes the amount of deferred income or pre-funding, which was recognized in prior year.

8. LOCAL DONATIONS

This represents the amount donated by individuals and other organizations.

OTHER DISCLOSURES:

9. PROGRAM SERVICES

The operating expenses are divided into two, such as Program Services and Supporting Services. Program Services are the organizations activities or operations that result in the distribution of goods and services to the beneficiaries, which fulfill the purpose or mission of the organization. These include the cost of staff directly involve with the service.

10. SUPPORTING SERVICES

The Supporting services are the organizations activities or operations that indirectly support the mission of the organization. This includes staff administrative functions and other administrative expenses.

11. DEPRECIATION

The organization uses straight-line method of depreciation.

12. RELATED PARTY TRANSACTIONS

There were no related party transactions made by the organization for the years ending December 31, 2018

13. EVENTS AFTER BALANCE SHEET DATE

There were no events after balance sheet date that would require a disclosure or adjustment on the financial statement of the organization.

-End of notes-