

# GUGMA SA KABATAAN, INCORPORATED

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

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Gugma Sa Kabatan, Incorporated (a nonstock, nonprofit, non-government organization) is responsible for the preparation and fair presentation of its financial statements for the years ended December 31, 2023 and 2022, in accordance with Philippine Financial Reporting Standard for Small Entities (PFRS for SEs), 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.

In preparing the financial statements, management is responsible for assessing the NGO's ability to continue as a going concern, disclosing (as applicable) matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the NGO or to cease operations, or has no realistic alternative but to do so.

The Board of Trustees is responsible for overseeing the NGO's financial reporting process.

The Board of Trustees reviews and approves the financial statements and submits the same to the members of the NGO.

Edwin M. delos Santos, Jr., CPA, the independent auditor appointed by the Board of Trustees for the year ended December 31, 2023 and Lean Rando C. Capinpuyan, CPA, for the year ended December 31, 2022, have audited the financial statements of the NGO in accordance with Philippine Standards on Auditing, and in their reports to the Board of Trustees, have expressed their opinion on the fairness of presentation upon completion of such audits.

April 13, 2024, Cagayan de Oro City, Philippines.

  
**MA. CHRISTINE S. ALAIZA**  
Chairman/President

  
**QUERITES O. QUEJA**  
Treasurer

## REPORT OF INDEPENDENT AUDITOR

To the Shareholders and Board of Directors  
**Gugma sa Kabataan, Incorporated**  
MH Del Pilar Street, Cagayan de Oro City

### Report on the Financial Statements

#### Opinion

I have audited the financial statements of Gugma sa Kabataan, Incorporated, which comprise the statement of financial position as at December 31, 2023, and the statement of revenue and expenses loss, statement of changes in fund balance, and statement of cash flows for the year then ended, and notes to financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Gugma sa Kabataan, Incorporated as of December 31, 2023, and of its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standard for Small Entities (PFRS for SEs).

#### Basis for Opinion

I conducted my audit in accordance with Philippine Standards on Auditing (PSAs). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Company in accordance with the *Code of Ethics for Professional Accountants in the Philippines* (Code of Ethics), and I have fulfilled my other ethical responsibilities in accordance with these requirements and the Code of Ethics. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS for SEs, 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing (as applicable) matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

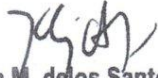
As part of an audit in accordance with PSAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

**Report on the Supplementary Information Required Under Revenue Regulations 15-2010**

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes, duties and license fees in Note 12 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 information is the responsibility of management. The information has been subjected to the auditing procedures applied in my audit of the basic financial statements. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as whole.



**Edwin M. delos Santos Jr., CPA**

Certified Public Accountant

CPA Certificate No. 116852 (Until December 18, 2025)

BOA/PRC Reg. No. 5420 (Until December 31, 2024)

BIR Accreditation Number 16-005916-001-2023 (Until April 27, 2026)

CDA No. 1010

Tax Identification No. 246-229-543

PTR No. 5709632; issued January 12, 2024, Cagayan de Oro City

IRCA Registration No. 13/5/QMS2/2753; ISO 9001:2008 Certified Lead Auditor

April 11, 2024

Cagayan de Oro City, Philippines

## STATEMENT OF FINANCIAL POSITION

Gugma sa Kabataan, Incorporated  
(With Comparative Figures for 2022)

December 31	2023	2022
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 4)	₱612,242	₱736,288
Advances to officers and employees (Note 5)	20,000	—
	<u>632,242</u>	<u>736,288</u>
<b>Non-Current Asset</b>		
Property and Equipment (Note 6)	282,884	336,432
	<u>₱915,126</u>	<u>₱1,072,720</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
Trade and other payables (Note 7)	₱41,148	₱—
Deferred revenue (Note 8)	623,349	580,232
Total Liabilities	<u>664,497</u>	<u>580,232</u>
<b>Fund balance</b>	<u>250,629</u>	<u>492,488</u>
	<u>₱915,126</u>	<u>₱1,072,720</u>

See Notes to Financial Statements.

## STATEMENT OF PROFIT OR LOSS

Gugma sa Kabataan, Incorporated  
(With Comparative Figures for 2022)

Years Ended December 31	2023	2022
<b>REVENUE</b>		
Grants and support (Note 10)	₱2,638,337	₱2,784,112
Other donations	95,616	414,943
	<b>2,733,953</b>	<b>3,199,055</b>
<b>DIRECT COSTS AND EXPENSES</b>		
<b>Program Costs</b>		
Health and nutrition program	949,160	1,433,718
Education program	453,208	838,147
Advocacy program	381,768	84,500
Livelihood program	138,841	57,000
COCD program	51,134	–
Paralegal program	2,995	–
Total Program Costs	<b>1,977,106</b>	<b>2,413,365</b>
<b>General and Administrative Costs</b>		
Salaries and benefits	498,009	298,558
Meetings, trainings, workshop and events	81,960	–
Utilities	74,257	192,049
Rental	68,850	207,500
Depreciation	53,548	53,548
Communication	40,378	–
Professional fees	34,000	51,580
Taxes and licenses (Note 12)	12,600	7,325
Repairs and maintenance	1,135	40,125
Miscellaneous	29,385	7,582
Total General and Administrative Costs	<b>894,122</b>	<b>858,267</b>
Total Direct Costs and Expenses	<b>2,871,228</b>	<b>3,271,632</b>
<b>NET LOSS</b>	<b>₱137,275</b>	<b>₱922,271</b>

See Notes to Financial Statements.

## STATEMENT OF CHANGES IN EQUITY

Gugma sa Kabataan, Incorporated  
(With Comparative Figures for 2022)

December 31	2023	2022
<b>DIFICITS</b>		
Opening balances	<b>₱492,488</b>	<b>₱1,414,759</b>
Direct charges to surplus (Note 9)	<b>(104,584)</b>	<b>—</b>
Loss for the year	<b>(137,275)</b>	<b>(922,271)</b>
Closing balances	<b>₱250,629</b>	<b>₱492,488</b>

See Notes to Financial Statements.

## STATEMENT OF CASH FLOWS

Gugma sa Kabataan, Incorporated  
(With Comparative Figures for 2022)

Years Ended December 31	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Loss	(P137,275)	(P922,271)
Add back items not requiring cash and cash equivalents:		
Depreciation (Note 6)	53,548	53,548
Net Cash (Used in) Provided from Operations	(83,727)	(868,723)
Add (deduct) changes in working capital, excluding Cash and cash equivalents:		
Increase in advances to officers and employees (Note 5)	(20,000)	—
Increase trade and other payables (Note 7)	41,148	—
Increase in deferred revenue (Note 8)	43,117	27,646
Net Cash Used in Operating Activities	(19,462)	(841,077)
<b>CASH FLOWS FROM INVESTING ACTIVITY</b>		
Direct charges to fund balance (Note 9)	(104,584)	—
Acquisition of property and equipment – net (Note 6)	—	(206,449)
Net Cash Used in Investing Activities	(104,584)	(206,449)
<b>NET DECREASE IN CASH</b>	(124,046)	(1,047,526)
<b>OPENING CASH</b>	736,288	1,783,814
<b>CLOSING CASH</b>	P612,242	P736,288

See Notes to Financial Statements.

## NOTES TO FINANCIAL STATEMENTS

Gugma sa Kabataan, Incorporated  
As at and for the Year Ended December 31, 2023

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### Note 1

#### Organization

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

It maintains its office at MH Del Pilar Street, Cagayan de Oro City.

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### Note 2

#### Summary of Significant Accounting Policies

The significant accounting policies that have been used in the preparation of these financial statements are summarized in the following sections.

##### Statement of Compliance

The financial statements have been prepared in accordance with Philippine Financial Reporting Standard for Small Entities (PFRS for SEs).

##### Basis of Preparation

The accompanying financial statements have been prepared in accordance with Philippine Financial Reporting Standard for Small Entities (PFRS for SEs) under historical cost conventions. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The financial statements are presented in Philippine peso, which is the Company's functional and presentation currency and all values are recorded to the nearest peso except when otherwise indicated.

The preparation of the financial statements made use of estimates, assumptions and judgments by management based on management's best knowledge of current and historical facts as at statement of financial condition date. These estimates and judgments affect the reported amounts of assets and liabilities and contingent liabilities as at statement of financial condition date, as well as affecting the reported income and expenses for the year. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant of the financial statements are disclosed in Note 3.

##### Cash and Cash Equivalents

Cash, which are carried in the books at cost, substantially consist of cash on hand and other cash items and other short-term liquid investments with original maturities of three months or less, from dates of placements and that are known amounts of cash that are subject to insignificant risk of changes in value. At the end of the year, the Company has no cash equivalents.

Trade and Other Receivables

Trade receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a customer with no intentions of trading the receivables. Such assets are subsequently measured at amortized cost using the effective interest method, less any impairment losses. Any change in their value is recognized in the income statement. Impairment loss is provided when there is objective evidence that the Company would not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated cash flows.

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation. Historical cost includes expenditures that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits arising from the renovations will flow to the Corporation. Depreciation is computed using the straight-line method over the estimated useful lives of the properties from 5 to 7 years.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit and loss for the period.

Trade and other payables

Trade and other payables are initially recognized at their nominal value and subsequently measured at amortized cost less settlement payments.

Deferred Revenue

Deferred revenue is recognized for cash received not yet earned and is presented as liability.

Revenue and Cost Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Cost and expenses are recognized in the income statement upon utilization of the service or at the date they are incurred.

Retirement Benefits

The determination of the Foundation's obligation and cost for pension and other employee benefits is dependent on the selection of certain assumptions used by management in calculating such amounts. While the Foundation believes that the assumptions used are reasonable and appropriate, significant differences in the actual experience or significant changes in assumptions may materially affect employee benefit obligations.

Provisions and Contingencies

Provisions are recognized when the group has an obligation at the reporting date as a result of a past event; it is probable that the group will be required to transfer economic benefits in settlement; and the amount of the obligation can be estimated reliably.

Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks to a specific obligation. The increase in the provision due to the passage of time is recognized as interest expense.

Provisions are not recognized for future operating losses.

Contingent assets and contingent liabilities are not recognized.

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**Note 4**  
**Cash and Cash Equivalents**

Cash substantially consists of cash on hand, deposits held on call with banks that are known amounts of cash with maturities of three months or less from dates of placements and that are subject to insignificant risk of changes in value. Cash and cash equivalents are carried in the books at cost which approximates market.

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**Note 5**  
**Advances to Officers and Employees**

This represents advances officers and employees subject for liquidation.

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**Note 6**  
**Property and Equipment**

Property and equipment, which are stated at cost, consist of the following:

<i>December 31</i>	<b>2023</b>	<b>2022</b>
Furniture, fixture, and equipment	<b>₱451,321</b>	₱451,321
Accumulated depreciation	<b>(168,437)</b>	(114,889)
	<b>₱282,884</b>	₱336,432

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The reconciliation of the carrying amount of property and equipment follows:

<i>December 31, 2023</i>	<i>Beg. Balances</i>	<i>Additions</i>	<i>Retirements</i>	<i>Closing Balances</i>
Furniture, fixture, and equipment	₱451,321	₱-	₱-	<b>₱451,321</b>
Accumulated depreciation	(114,889)	(53,548)	-	<b>(168,437)</b>
<b>Net Book Value</b>	<b>₱336,432</b>	<b>(₱53,548)</b>	₱-	<b>₱282,884</b>

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**Note 7**  
**Trade and Other Payables**

This consists of the following:

<i>December 31</i>	<b>2023</b>	<b>2022</b>
Accounts payable	<b>₱30,812</b>	₱-
SSS, HDMF, and PHIC payable	<b>10,336</b>	-
	<b>₱41,148</b>	₱-

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**Note 8**  
**Deferred Revenue**

This account represents cash received not yet recognized as revenue and is presented as liability account.

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**Note 9**  
**Direct Charges to General Reserve Fund**

This account represents direct charges to fund balance to reflect various adjustments of accounts payables related to previous years.

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**Note 10**  
**Grants and Support**

This account represents donation and support received from international donor from Germany.

**Note 11**  
**Risk Management Objectives and Policies**

The Foundation is exposed to a variety of financial risks in performing its activities. Its risk management is coordinated by its Board of Trustees and focuses principally on securing short to medium term cash flows by minimizing exposures to financial markets. The Foundation does not actively engage in the trading of financial assets nor does it write options. It has no significant exposure to foreign currency risks as most transactions are denominated in Philippine peso, its functional currency. It likewise has little exposure to interest rate risk as its loans and receivables and deposit liabilities have fixed interest rates.

The Foundation is mostly exposed to credit risk. Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the Statement of Financial Position. Credit risk therefore is only disclosed in circumstances where the maximum potential loss differs significantly from the carrying amount of the financial assets. The Foundation manages the level of credit risk by actively monitoring its portfolio to avoid significant concentrations of credit.

As at December 31, 2023, the Foundation's financial assets are composed of the following:

<i>December 31, 2023</i>	<i>Neither Past Due Nor Impaired</i>	<i>Past Due But Not Impaired</i>	<i>Total</i>
Cash	P612,242	–	<b>P612,242</b>
Advances from officers and employees	20,000	–	<b>20,000</b>
	<b>P632,242</b>	<b>–</b>	<b>P632,242</b>
	100%	0%	<b>100%</b>

The Foundation is likewise exposed to liquidity risk, the risk that it will encounter difficulty in meeting its obligations as they become due without incurring unacceptable losses or costs. The Foundation's objectives to manage its liquidity profile are: a) to ensure that adequate funding is available at all times; b) to meet commitments as they arise without incurring unnecessary costs, and c) to be able to access funding when needed at the least possible cost. The Foundation manages its liquidity by carefully monitoring its scheduled debt servicing payments for long-term financial liabilities as well as its cash flows due on its day-to-day business.

The maturity profile of the Foundation's financial liabilities is as follows:

<i>December 31, 2023</i>	<i>Due in One Year</i>	<i>Due Over One Year</i>	<i>Total</i>
Trade and other payables (Note 7)	P41,148	P–	<b>P41,148</b>
Deferred revenue (Note 8)	623,349	–	<b>623,349</b>
	<b>P664,497</b>	<b>P–</b>	<b>P664,497</b>
	100%	0%	<b>100%</b>

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**Note 12**  
**Taxes Paid**

In accordance with Revenue Regulation 15-2010, the Foundation has paid and accrued taxes, duties and licenses amounting to ₱12,600 in 2023 and ₱7,325 in 2022.

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**Note 13**  
**Events After Balance Sheet Date**

There were no events after reporting date that would require disclosures or adjustments on the financial statements of the Foundation.

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**Note 14**  
**Approval of Financial Statements**

The Company's financial statements as of and for the year ended December 31, 2023, were authorized for issue by the Foundation's President on April 11, 2024

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