

GUGMA SA KABATAAN, INCORPORATED

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURNS

The management of The Gugma Sa Kabatan, Incorporated (a nonstock, nonprofit, non-government organization) is responsible for all information and representations contained in the Annual Information Return for the year ended December 31, 2020. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Information Return covering the same reporting period. Furthermore, management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited to, the valued added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, management affirms that the attached audited financial statements for the year ended December 31, 2020, and the accompanying Annual Information Return are in accordance with the books and records of Gugma Sa Kabatan, Incorporated (a nonstock, nonprofit, non-government organization), complete and correct in all material respects.

Management likewise affirms that:

- a) The Annual Information Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- b) Any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules have been reported as reconciling items and maintained in the NGO's books and records in accordance with the requirements of Revenue Regulation No. 8-2007 and other relevant issuances;
- c) Gugma Sa Kabatan, Incorporated (a nonstock, nonprofit, non-government organization) has filed all applicable returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

April 15, 2021, Cagayan de Oro City, Philippines.


ALEXANDER R. SANTOS
Chairman/President

EDWIN M. DELOS SANTOS JR.

Certified Public Accountant

Liceo Bldg, Carmen, Cagayan de Oro City

Accreditations

PRC/BOA 5420 (Until 12.31.21)
BIR 16-005916-001-2020 (Until 03.07.23)
CDA 1010

REPORT OF INDEPENDENT AUDITOR

The Board of Directors
Gugma Sa Kabataan, Incorporated
M.H. 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, 2020, and the statement of profit or loss, statement of changes in equity, 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, 2020, 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 our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the NGO in accordance with the *Code of Ethics for Professional Accountants in the Philippines (Code of Ethics)* together with the ethical requirements that are relevant to my audit of the financial statements in the Philippines, 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 am 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 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.

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

Auditors' Responsibilities for the Audit of the Financial Statements

My objective is 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 NGO'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 NGO'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 conclusion is based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the NGO 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.

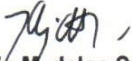
I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audits.

Other Matter

The financial statements of Gugma Sa Kabataan, Incorporated as of and for the year ended December 31, 2019, were audited by Ricky S. Garay, with his report thereon, dated June 11, 2020, and expressed an unqualified opinion on those financial statements.

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, 2022)

BOA/PRC Reg. No. 5420 (Until December 31, 2021)

BIR Accreditation Number 16-005916-001-2020 (Until March 17, 2023)

CDA No. 1010

Tax Identification No. 246-229-543

PTR No. 4927201; issued January 6, 2021, Cagayan de Oro City

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

April 15, 2021, 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, 2020 and 2019
(Amounts in Philippine Peso)

	<i>Notes</i>	2020	2019
ASSETS			
Current Assets			
Cash	3	1,723,510.33	1,124,334.65
Total Current Assets		1,723,510.33	1,124,334.65
Non-Current Assets			
Office Furnitures and Equipment		43,554.60	58,072.80
Total Non-current Assets		43,554.60	58,072.80
TOTAL ASSETS		1,767,064.93	1,182,407.45
LIABILITIES & FUND BALANCE			
LIABILITIES			
Current Liabilities			
Deferred Grant and Support		483,758.47	328,338.42
TOTAL LIABILITIES		483,758.47	328,338.42
FUND BALANCE			
Accumulated Excess/Shortage		1,283,306.46	854,069.03
TOTAL FUND BALANCE		1,283,306.46	854,069.03
TOTAL LIABILITIES & FUND BALANCE		1,767,064.93	1,182,407.45

(See Accompanying Notes to Financial Statements)

GUGMA SA KABATAAN, INCORPORATED

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

STATEMENT OF REVENUE AND EXPENSES

As of December 31, 2019 and 2018

(Amounts in Philippine Peso)

	2020	2019
REVENUE		
Grants and Support	4 1,958,491.07	2,397,194.23
Other Donations	240,000.00	260,811.50
TOTAL REVENUE	2,198,491.07	2,658,005.73
DIRECT COST AND EXPENSES		
PROGRAM EXPENSES		
Education	281,879.07	705,695.46
Health	483,697.58	851,757.02
Advocacy	259,879.07	266,205.52
Livelihood	220,030.33	112,150.92
Community Organization	100,030.33	122,134.57
Paralegal	-	39,429.17
Total Program Expenses	1,345,516.37	2,097,372.64
GENERAL AND ADMINISTRATIVE EXPENSES		
Salaries & Benefits	274,818.33	283,770.00
Professional Fees	7,000.00	0.00
Office Repairs and Maintenance	5,000.00	10,357.75
Office Supplies	6,400.00	26,754.16
Office Rental	78,000.00	78,000.00
Utilities	15,848.73	47,718.18
Taxes & Licenses	21,612.00	12,570.00
Depreciation	14,518.20	14,518.20
Miscellaneous Expenses	540.00	100.00
Total General and Administrative Expenses	423,737.27	473,788.29
TOTAL OPERATING EXPENSES	1,769,253.64	2,571,160.93
PROGRAM NET SURPLUS	429,237.43	86,844.80

(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, 2020 and 2019

(Amounts in Philippine Peso)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from Germany	2,113,911.12	2,226,162.06
Cash receipts from fund raising & other local donations	240,000.00	260,811.50
Cash Disbursements from operations	(1,754,735.44)	(2,556,642.73)
Net cash inflow from operating activities	599,175.68	(69,669.17)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Property, Plant & Equipment	-	(25,791.00)
Net cash flow from investing activities	-	(25,791.00)
NET INCREASE(DECREASE) IN CASH	599,175.68	(95,460.17)
ADD CASH & CASH EQUIVALENTS, JANUARY 1, 2020	1,124,334.65	1,219,794.82
CASH AND CASH EQUIVALENT, DECEMBER 31, 2020	1,723,510.33	1,124,334.65

GUGMA SA KABATAAN, INCORPORATED
M.H. Del Pilar Street, Cagayan de Oro City

STATEMENT OF CHANGES IN FUND BALANCES

As of December 31, 2019 and 2018

(Amounts in Philippine Peso)

	2020	2019
Opening Balance	854,069.03	767,224.23
Add: Net surplus during the year	429,237.43	86,844.80
Fund Balance, End	1,283,306.46	854,069.03

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 15 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, 2020 for issue on April 15, 2020.

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 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 AND CASH EQUIVALENTS

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

- Peso Checking Account – For day-to-day transactions.

Cash and Cash Equivalents

	<u>2020</u>
Cash in Bank PNB Acct No. 410170007110, December 31, 2020	1,723,510.33
Total	<u>1,723,510.33</u>

4. GRANTS AND SUPPORT

Support given by the International donor (Germany). It includes the amount of deferred support which was received last calendar year.

Grants and Support 2020

	Date Receipt	Amount	Remarks
Grant support, beginning balance, Jan. 1, 2020	12/12/2019	328,338.42	Received, December 12, 2019
Add: Funding for 2020			
	03/11/2020	641,012.02	
5. DEFERRED GRANTS AND SUPPORT	06/09/2020	456,487.45	
Pre-funding	09/21/2020	532,653.18	from the donor to be use for the next calendar year.
Total Funding for 2020		1,958,491.07	
Deferred funding for Year 2021	12/10/2020	483,758.47	
TOTAL		2,442,249.54	6. LOCAL DONATIONS Represents the amount donated by individuals and other organizations within the Philippines.

OTHER DISCLOSURES:

7. PROGRAM EXPENSE

Organizations direct program costs for this year's implementation/operations that results 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.

8. GENERAL AND ADMINISTRATIVE EXPENSE

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.

9. DEPRECIATION

The organization uses straight-line method of depreciation.

10. RELATED PARTY TRANSACTIONS

There were no related party transactions made by the organization for the year ending December 31, 2020.

11. 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.

12. TAXES PAID

In accordance with Revenue Regulation 15-2010, the Organization discloses the taxes, duties and licenses fees paid or accrued during the taxable years amounted ₱21,612 in 2020 and ₱12,570 in 2019:

-End of notes-

**Republic of the Philippines
Department of Finance
Bureau of Internal Revenue**

For BIR Use Only: BCS/Item:

BIR Form No. 1702-EX
January 2018 (ENCS) v2
Page 1

Annual Income Tax Return
Corporation, Partnership and Other Non-Individual Taxpayer EXEMPT under the Tax Code, as Amended, [Sec. 30 and those exempted in Sec. 27(C)] and Other Special Laws, with NO Other Taxable Income
Enter all required information in CAPITAL LETTERS. Mark applicable boxes with an "X".
Two copies MUST be filed with the BIR and one held by the taxpayer.

1702-EX 01/18/ENCS v2 P1

1 For Calendar Fiscal
2 Year Ended (MM/YYYY) 12/2012

3 Amended Return? Yes No
4 Short Period Return Yes No

5 Alphanumeric Tax Code (ATC)
IC 011 Exempt Corporation on Exempt Activities
IC 021 General Professional Partnership

Background Information

6 Taxpayer Identification Number (TIN) 006 - 240 - 562 - 0000
7 RDO Code 098

8 Registered Name (Enter only 1 letter per box using CAPITAL LETTERS)
GUSMA SA KABATAAN, INC.

9 Registered Address (Indicate complete address. If the registered address is different from the current address, go to the RDO to update registered address by using BIR Form No. 1905)
M.H. DEL PILAR ST., CAGAYAN DE ORO CITY
9A Zip code 9600

10 Date of Incorporation/Organization (MM/DD/YYYY) 05/15/2005
11 Contact Number 2316351
12 Email Address fhel_laurete@yahoo.com

13 Method of Deductions
 Sec. 30(a) Deductions (Section 30 (a), NIRC) Exclusion/Standard Deduction (Section 30 (b) of Tax Code, Income Support for Spouse/Dependent Partnership (SPSP) and P.A. (a), NIRC)

14 Legal Basis of Tax Relief / Exemption (Specify) SEC30 NIRC
15 Investment Promotion Agency (IPA) / Government Agency (specify) SECURITIES AND EXCHANGE COMMISSION

16 Registered Activity / Program (Registration Number) NONE
17 Effectivity Date of Tax Relief / Exemption (MM/DD/YYYY) From 01/01/2005 To 01/01/2055

PART II - TOTAL TAX PAYABLE (DO NOT ENTER CENTAVOS; 49 centavos or less drop down; 50 or more round up)

18 Tax Due (From Part IV Item 41) 0.00
19 Less: Total Tax Credits/Payments (From Part IV Item 50) 0.00
20 Total (Overpayment) (Item 18 Less Item 19) (From Part IV Item 51) 0.00
21 Add: Penalty - Compromise 0.00
22 TOTAL AMOUNT PAYABLE / (Overpayment) (Sum of Items 20 & 21) 0.00

If overpayment, mark one (1) box only. (Once the choice is made, the same is irrevocable)
 To be refunded To be issued a Tax Credit Certificate (TCC) To be carried over as a tax credit for next year/quarter

I, the undersigned, declare under the penalties of perjury that this return and all its attachments, have been made in good faith, verified by us, and to the best of our knowledge and belief, are true and correct, pursuant to the provisions of the National Internal Revenue Code, as amended, and the regulations issued thereunder. If signed by an Authorized Representative, include TIN and attach authorization letter.

Signature over Printed Name of President/Principal Officer/Authorized Representative: [Signature] Title of Signatory: [Blank] TIN: [Blank]
Signature over Printed Name of Treasurer/Assistant Treasurer: [Signature] Title of Signatory: [Blank] TIN: [Blank]

23 Number of Attachments 00

Part III - Details of Payment

Particulars	Drawee Bank Agency	Number	Date (MM/DD/YYYY)	Amount
24 Cash/Bank Debit Memo				
25 Check				
26 Tax Debit Memo				
27 Others (Specify Below)				

Machine Validation / Revenue Official Receipt Details (if not filed with an Authorized Agent Bank (AAB))

Stamp of Receiving Office/AAB and Date of Receipt (BO's Signature/Bank Teller's Initial)

