

LEADING ED'S ACCOUNTING FIRM

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REPORT OF INDEPENDENT AUDITOR

The Board of Trustees

Gugma Sa Kabataan, Incorporated

(a nonstock, nonprofit, non-government organization)

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 (a nonstock, nonprofit, non-government organization), which comprise the statements of financial position as at December 31, 2024 and 2023, and the related statements of revenue and expenses, statements of changes in fund balance and statements of cash flows for the years then ended, and notes to financial statements comprising of a summary of significant accounting policies and other explanatory notes.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Gugma Sa Kabataan, Incorporated (a nonstock, nonprofit, non-government organization) as at December 31, 2024 and 2023, and of its financial performance and its cash flows for the years 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 Foundation 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 Foundation'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 Foundation or to cease operations, or has no realistic alternative but to do so.

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

Auditor's 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 Foundation'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 Foundation'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 Foundation 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.

STATEMENTS OF FINANCIAL POSITION

Gugma sa Kabataan, Incorporated

December 31	2024	2023
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	₱1,385,533	₱612,242
Advances to officers and employees (Note 5)	106,562	20,000
	1,492,095	632,242
Non-Current Asset		
Property and Equipment (Note 6)	234,719	282,884
	₱1,726,814	₱915,126
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Trade and other payables (Note 7)	₱417,875	₱41,148
Deferred revenue (Note 8)	958,776	623,349
Total Liabilities	1,376,651	664,497
Fund balance	350,163	250,629
	₱1,726,814	₱915,126

See Notes to Financial Statements.

STATEMENTS OF REVENUE AND EXPENSES

Gugma sa Kabataan, Incorporated

<i>Years Ended December 31</i>	2024	2023
REVENUE		
Grants and support <i>(Note 10)</i>	₱2,771,474	₱2,638,337
Other donations	924,705	95,616
	3,696,179	2,733,953
DIRECT COSTS AND EXPENSES		
Program Costs		
Health and nutrition program	1,454,998	949,160
Education program	439,602	453,208
Advocacy program	256,655	381,768
Livelihood program	111,176	138,841
COCD program	140,727	51,134
Paralegal program	96,962	2,995
Total Program Costs	2,500,120	1,977,106
General and Administrative Costs		
Salaries and benefits	542,777	498,009
Meetings, trainings, workshop and events	189,462	81,960
Professional fees	153,900	34,000
Communication	65,174	40,378
Depreciation	54,146	53,548
Rental	39,750	68,850
Utilities	21,594	74,257
Taxes and licenses <i>(Note 12)</i>	7,809	12,600
Repairs and maintenance	2,857	1,135
Miscellaneous	21,813	29,385
Total General and Administrative Costs	1,099,282	894,122
Total Direct Costs and Expenses	3,599,402	2,871,228
NET SURPLUS (LOSS)	₱96,777	(₱137,275)

See Notes to Financial Statements.

STATEMENTS OF CHANGES IN NET ASSETS

Gugma sa Kabataan, Incorporated

<i>December 31</i>	2024	2023
FUND BALANCE		
Opening balances	₱250,629	₱492,488
Direct charges to surplus <i>(Note 9)</i>	2,757	(104,584)
Net surplus (loss) for the year	96,777	(137,275)
Closing balances	₱350,163	₱250,629

See Notes to Financial Statements.

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See Notes to Financial Statements.

STATEMENTS OF CASH FLOWS

Gugma sa Kabataan, Incorporated

Years Ended December 31	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net surplus (loss)	₱96,777	(₱137,275)
Add back items not requiring cash and cash equivalents:		
Depreciation (Note 6)	54,146	53,548
Net Cash (Used in) Provided from Operations	150,923	(83,727)
Add (deduct) changes in working capital, excluding Cash and cash equivalents:		
Increase in advances to officers and employees (Note 5)	(86,562)	(20,000)
Increase trade and other payables (Note 7)	376,727	41,148
Increase in deferred revenue (Note 8)	335,427	43,117
Net Cash Provided from (Used in) Operating Activities	776,515	(19,462)
CASH FLOWS FROM INVESTING ACTIVITY		
Direct charges to fund balance (Note 9)	2,757	(104,584)
Acquisition of property and equipment – net (Note 6)	(5,981)	–
Net Cash Used in Investing Activities	(3,224)	(104,584)
NET INCREASE (DECREASE) IN CASH	773,291	(124,046)
OPENING CASH	612,242	736,288
CLOSING CASH	₱1,385,533	₱612,242

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

Gugma sa Kabataan, Incorporated

As at and for the Years Ended December 31, 2024 and 2023

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.

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.

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.

Note 5
Advances to Officers and Employees

This represents advances officers and employees subject for liquidation.

Note 6
Property and Equipment

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

<i>December 31</i>	2024	2023
Furniture, fixture, and equipment	₱457,302	₱451,321
Accumulated depreciation	(222,583)	(168,437)
	₱234,719	₱282,884

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	5,981	₱-	₱457,302
Accumulated depreciation	(168,437)	(54,146)	-	(222,583)
Net Book Value	₱282,884	(48,165)	₱-	₱234,719

Note 7
Trade and Other Payables

This consists of the following:

<i>December 31</i>	2024	2023
Accounts payable	₱398,163	₱30,812
SSS, HDMF, and PHIC payable	19,712	10,336
	₱417,875	₱41,148

Note 8
Deferred Revenue

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

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.

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, 2024, the Foundation's financial assets are composed of the following:

<i>December 31, 2024</i>	<i>Neither Past Due Nor Impaired</i>	<i>Past Due But Not Impaired</i>	<i>Total</i>
Cash	₱1,385,533	–	₱1,385,533
Advances from officers and employees	376,562	–	376,562
	₱1,762,095	–	₱1,762,095
	100%	0%	100%

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, 2024</i>	<i>Due in One Year</i>	<i>Due Over One Year</i>	<i>Total</i>
Trade and other payables (Note 7)	₱417,875	₱–	₱417,875
Deferred revenue (Note 8)	958,776	–	958,776
	₱1,376,651	₱–	₱1,376,651
	100%	0%	100%

Note 12
Taxes Paid

In accordance with Revenue Regulation 15-2010, the Foundation has paid and accrued taxes, duties and licenses amounting to ₱7,809 in 2024 and ₱12,600 in 2023.

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.

Note 14
Approval of Financial Statements

The Company's financial statements as of and for the year ended December 31, 2024, were authorized for issue by the Foundation's President on April 10, 2025
