

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, 2025 and 2024, 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 Directors for the years ended December 31, 2025 and 2024, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in his reports to the Board of Directors and Shareholders, has expressed his opinions on the fairness of presentation upon completion of such audits.

March 18, 2026, Cagayan de Oro City, Philippines.


BOBBY G. PALER
Chairman/President


NIÑO GLEN P. CON-OGAN
Treasurer

LEADING ED'S ACCOUNTING FIRM

Edwin M. delos Santos Jr.

Certified Public Accountant

Unit 211 Connex Building Rizal cor. Gaerland Sts., Brgy. 2, Cagayan de Oro City

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, 2025 and 2024, and the related statements of activities, statements of changes in fund balance, and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

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, 2025 and 2024, and 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.

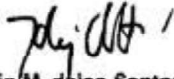
As part of an audit in accordance with PSAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- 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.

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 13 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 of Gugma Sa Kabataan, Incorporated (A Nonstock, Nonprofit, Non-Government Organization). 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 a whole.



Edwin M. delos Santos Jr., CPA

Certified Public Accountant

CPA Certificate No. 116852 issued May 30, 2006 valid until December 18, 2028

BOA/PRC Reg. No. 5420 Issued on November 11, 2025 valid until December 31, 2028

BIR Accreditation Number 16-005916-001-2023, issued April 27, 2023 valid until April 27, 2026

CDA No. 1010 issued March 25, 2025 valid until March 24, 2030

Tax Identification No. 246-229-543

PTR No. 6526827; issued January 7, 2026, Cagayan de Oro City

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

March 18, 2026

Cagayan de Oro City, Philippines

STATEMENTS OF FINANCIAL POSITION

Gugma Sa Kabataan, Incorporated
(A Nonstock, Nonprofit, Non-Government Organization)

<i>December 31</i>	2025	2024
ASSETS		
Current Assets		
Cash <i>(Note 4)</i>	₱1,667,633	₱1,385,533
Advances to officers and employees <i>(Note 5)</i>	315,907	106,562
	1,983,540	1,492,095
Non-Current Asset		
Property and Equipment <i>(Note 6)</i>	183,373	234,719
	₱2,166,913	₱1,726,814
LIABILITIES AND FUND BALANCE		
Liabilities		
Trade and other payables <i>(Note 7)</i>	₱310,544	₱417,875
Deferred revenue <i>(Note 8)</i>	931,557	958,776
Total Liabilities	1,242,101	1,376,651
Fund balance	924,812	350,163
	₱2,166,913	₱1,726,814

See Notes to Financial Statements.

STATEMENTS OF ACTIVITIES

Gugma Sa Kabataan, Incorporated
(A Nonstock, Nonprofit, Non-Government Organization)

<i>Years Ended December 31</i>	2025	2024
REVENUE		
Grants and support <i>(Note 10)</i>	₱3,153,990	₱2,771,474
Other donations	1,631,888	924,705
	4,785,878	3,696,179
DIRECT COSTS AND EXPENSES		
Program Costs		
Health and nutrition program	1,630,403	1,454,998
Education program	544,796	439,602
Advocacy program	327,215	256,655
Emergency response program	314,296	–
COCD program	173,743	140,727
Paralegal program	117,409	96,962
Livelihood program	113,554	111,176
Total Program Costs	3,221,416	2,500,120
General and Administrative Costs		
Salaries and benefits	552,211	542,777
Meetings, trainings, workshop and events	154,552	189,462
Professional fees	104,000	153,900
Repairs and maintenance	66,853	2,857
Communication	55,582	65,174
Depreciation	54,146	54,146
Rental	47,368	39,750
Utilities	30,680	21,594
Taxes and licenses <i>(Note 13)</i>	8,202	7,809
Miscellaneous	20,932	21,813
Total General and Administrative Costs	1,094,526	1,099,282
Total Direct Costs and Expenses	4,315,942	3,599,402
NET SURPLUS	₱469,936	₱96,777

See Notes to Financial Statements.

STATEMENTS OF CHANGES IN FUND BALANCE

Gugma Sa Kabataan, Incorporated
(A Nonstock, Nonprofit, Non-Government Organization)

December 31	2025	2024
FUND BALANCE		
Reserve Fund <i>(Note 10)</i>		
Opening balances, as originally stated	₱104,713	₱-
Adjustments to restate beginning balances <i>(Note 9)</i>	-	104,713
Opening balances, as stated	104,713	104,713
Transaction for the year	-	-
Closing balances	104,713	104,713
Unrestricted Fund		
Opening balances	₱350,163	₱250,629
Direct charges	-	2,757
Net surplus for the year	469,936	96,777
Closing balances	820,099	350,163
	₱924,812	₱454,876

See Notes to Financial Statements.

STATEMENTS OF CASH FLOWS

Gugma Sa Kabataan, Incorporated
(A Nonstock, Nonprofit, Non-Government Organization)

<i>Years Ended December 31</i>	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Net surplus	₱469,936	₱96,777
Add back items not requiring cash and cash equivalents:		
Depreciation <i>(Note 6)</i>	54,146	54,146
Net Cash (Used in) Provided from Operations	524,082	150,923
Add (deduct) changes in working capital, excluding Cash and cash equivalents:		
Increase in advances to officers and employees <i>(Note 5)</i>	(209,345)	(86,562)
Increase (decrease) in trade and other payables <i>(Note 7)</i>	(2,618)	379,484
Increase (decrease) in deferred revenue <i>(Note 8)</i>	(27,219)	335,427
Net Cash Provided from Operating Activities	284,900	779,272
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment – <i>net (Note 6)</i>	(2,800)	(5,981)
NET INCREASE IN CASH	282,100	773,291
OPENING CASH	1,385,533	612,242
CLOSING CASH	₱1,667,633	₱1,385,533

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

Gugma Sa Kabataan, Incorporated
(A Nonstock, Nonprofit, Non-Government Organization)
As at and for the Years Ended December 31, 2025 and 2024

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 Foundation'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 Foundation has no cash equivalents.

Advances and Other Receivables

Advance and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Foundation provides money, services directly to a project 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 statement of activities. Impairment loss is provided when there is objective evidence that the Foundation 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 Foundation. 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 Foundation 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

Cash consists of cash on hand and deposits with banks. Cash is carried in the books at cost which approximates its fair value.

Note 5
Advances to Officers and Employees

Advances represent funds released to officers and employees for program implementation subject to liquidation.

Note 6
Property and Equipment

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

<i>December 31</i>	2025	2024
Furniture, fixture, and equipment	₱345,212	₱457,302
Accumulated depreciation	(161,839)	(222,583)
	₱183,373	₱234,719

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

<i>December 31, 2025</i>	<i>Beg. Balances</i>	<i>Additions</i>	<i>Retirements</i>	<i>Closing Balances</i>
Furniture, fixture, and equipment	₱457,302	2,800	(₱114,890)	₱345,212
Accumulated depreciation	(222,583)	(54,146)	114,890	(161,839)
Net Book Value	₱234,719	(51,346)	₱-	₱183,373

<i>December 31, 2024</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>	2025	2024
Accounts payable	₱291,960	₱293,450
SSS, HDMF, and PHIC payable	18,584	19,712
	₱310,544	₱313,162

Note 8
Deferred Revenue

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

Note 9
Prior Period Adjustment

Management identified a bank balance amounting to ₱104,713 previously classified as liability.

The balance was corrected and reclassified to Fund Balance in accordance with PAS 8.

Note 10
Reserve Fund

The Board of Trustees approved the establishment of a Reserve Fund amounting ₱104,713. This reserve is internally designated and intended for future program expansion, emergency operations, and sustainability of the foundation's activities. The reserve fund may only be utilized upon approval of the Board.

Note 11
Grants and Support

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

Note 12
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, 2025, the Foundation's financial assets are composed of the following:
(Please see table on next page)

<i>December 31, 2025</i>	<i>Neither Past Due Nor Impaired</i>	<i>Past Due But Not Impaired</i>	<i>Total</i>
Cash	₱1,667,633	–	₱1,667,633
Advances from officers and employees	315,907	–	315,907
	₱1,983,540	–	₱1,983,540
	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, 2025</i>	<i>Due in One Year</i>	<i>Due Over One Year</i>	<i>Total</i>
Trade and other payables <i>(Note 7)</i>	₱310,544	₱–	₱310,544
Deferred revenue <i>(Note 8)</i>	931,557	–	931,557
	₱1,242,101	₱–	₱1,242,101
	100%	0%	100%

Note 13
Taxes Paid

In accordance with Revenue Regulation 15-2010, the Foundation has paid and accrued taxes, duties and licenses amounting to ₱8,202 in 2025 and ₱7,809 in 2024.

Note 14
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 15
Approval of Financial Statements

The Foundation's financial statements as of and for the year ended December 31, 2025, were authorized for issue by the Foundation's President on March 18, 2026.