

MA. ELOISA S. GAYAMAT

#36 Agpalza Bldg., 20th Avenue
Brgy. San Roque, Quezon City
Tel. No. (63)9178879264

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
VERAFILES INCORPORATED
Rm. 4-A No. 92 A. Prosperity Bldg.
West Center, Brgy. Philam
Quezon City

Report on the Audit of the Financial Statements

Opinion

I have audited the accompanying financial statements of **VERAFILES INCORPORATED**, which comprise the statement of financial position as of December 31, 2018 and 2017, and the statements of comprehensive income, statement of changes in equity and statements of cash flow for the years then ended, and notes to the 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 **VERAFILES INCORPORATED** as at December 31, 2018 and 2017, and of its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standard for Small and Medium-sized Entities (PFRS for SMEs).

Basis for Opinion

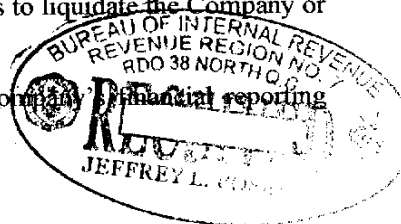
I conducted my audits in accordance with Philippine Standards on Auditing (PSAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section on my report. I am independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines, and I have fulfilled my other responsibilities in accordance with these requirements. 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 these financial statements in accordance with PFRS for SMEs 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 to do so.

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



12/15/2018

Auditor's Responsibilities for the Audit of the Financial Statements

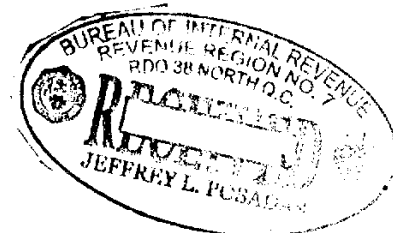
My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance, but is not a guarantee that an audit conducted in accordance 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 Association'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 Association's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in 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 Association to cease to continue as a going concern.

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.

Ma Eloisa S. Gayamat
MA. ELOISA S. GAYAMAT
Certified Public Accountant
CPA Cert. No. 42258 , 10/05/2019
BOA No. 2704, 12/31/2021
BIR # AN:07-000007-004-2017 – 02/24/2020
TIN: 151-368-291-000
PTR No 7548778, 01/23/2019, Quezon City



April 13, 2019

VERAFILES INCORPORATED

Rm. 1402B West Trade Center
132 West Center, Brgy. Philam, Quezon City

COMPARATIVE STATEMENTS OF OPERATIONS
Years Ended December 31

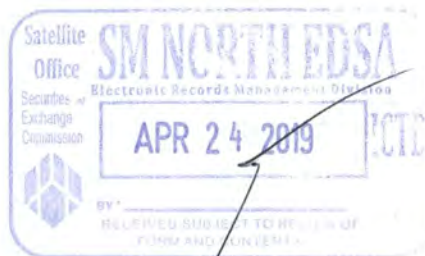
	Notes	2018	2017
Revenues	2,3,10 P	6,864,590 P	6,850,356
Program Costs	2,3,11	4,008,922	5,616,358
		2,855,667	1,233,998
Administrative Cost	2,3,4,12	2,698,667	940,782
Excess (deficit) of revenues over costs and expenses	P	157,000 P	(0)

See accompanying Notes to Financial Statements



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VERAFILES INCORPORATED
 Rm. 1402B West Trade Center
 132 West Center, Brgy. Philam, Quezon City



COMPARATIVE STATEMENT OF FINANCIAL POSITION

		December 31	
	Notes	2018	2017
ASSETS			
Current Assets:			
Cash	2,3,4,5 P	3,734,693 P	2,868,419
Receivables	2,3,4,6	0	10,000
Other Current Assets	2,3,4,7	30,000	30,000
Total Current Assets		3,764,693	2,908,419
Non-Current Assets			
Property & Equipment (Net)	2,3,4,8	215,197	230,865
Total Non-Current Assets		215,197	230,865
TOTAL ASSETS	P	3,979,890 P	3,139,283
LIABILITIES AND FUND BALANCES			
Current Liabilities:			
Accounts Payable	2,3,4,9 P	360,994 P	267,056
Deferred Project Fund		22,601	22,601
		383,595	289,657
Fund Balances	2,3,4	3,596,295	2,849,627
TOTAL LIABILITIES AND FUND BALANCES	P	3,979,890 P	3,139,283



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VERAFILES INCORPORATED

Rm. 1402B West Trade Center

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COMPARATIVE STATEMENT OF CHANGES IN FUND BALANCES

		December 31	
	Notes	2018	2017
Fund Balances (Deficit)			
At the Beginning of the Year	2,3 P	1,384,216 P	1,384,216
Deferred Project Fund		2,055,078	
Excess of Revenue Over Costs and Expenses	2,3	157,000	(0)
Fund Balances (Deficit) At the End of the Year	P	3,596,295 P	1,384,216

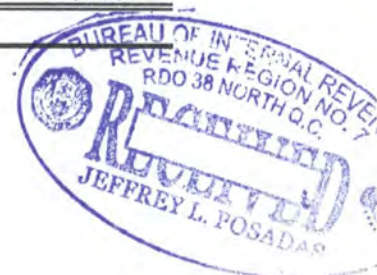


VERAFILES INCORPORATED

Rm. 1402B West Trade Center
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COMPARATIVE STATEMENTS OF CASH FLOWS
Years Ended December 31

	Notes	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Excess of Revenues Over Costs and Expenses	P	157,000	293,215
Adjustments for:			
Depreciation		48,068	48,068
Operating Income (Deficit) before working fund changes		205,068	341,283
Decrease (Increase) in			
Receivables	2,3,6	(10,000)	2,797
Other Current Assets	2,3,7		
Increase (Decrease) in			
Accounts Payable	2,3,7	93,938	262,112
Increase in Deferred Project Fund			(1,172,195)
Adjustments		609,669	138,161
Cash Provided by operations		898,676	(427,842)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest Received		0	0
Net Cash from (used in) financing activities		0	0
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment of Security Deposit			
Acquisition of Property & Equipment		(32,400)	(61,710)
Net cash used in investing activities		(32,400)	(134,985)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
CASH EQUIVALENTS	2,3,4	866,276	(489,552)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR			
AT THE BEGINNING OF THE YEAR	2,3,4,5	2,868,419	3,357,972
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR			
OF THE YEAR	2,3,4,5 P	3,734,693 P	2,868,419



VERAFILES INCORPORATED
Rm. 4-A No. 92 A. Prosperity Bldg.
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Notes to Financial Statements
As of and for the Year Ended, December 31, 2018

1 - General Information

The VERAFILES INCORPORATED was registered with the Philippine Securities and Exchange Commission (SEC) under SEC Registration Certificate No. CN 200808072 on May 26, 2008 and amended on October 30, 2013, as a non-stock, non-profit organization primarily engaged in research, writing, production and distribution of news and other media products and related services in multiple formats, including but not limited to print, broadcast and online and to advance excellence in journalism. It also aims to provide venue for the training of education, students and journalists in the practice of excellent journalism.

The Company's registered address is located at Rm. 4-A No. 92 A. Prosperity Bldg., West Center, Brgy. Philam, Quezon City

The financial statements of the company for the year ended December 31, 2018 and 2017 were authorized for issue by the Board of Trustees on April 10, 2019.

2 – Summary of Significant Accounting Policies

Statement of Compliance

The financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) for Small and Medium-sized Entities issued by Philippine Financial Reporting Standards Council.

Basis of Measurement

The financial statements have been prepared on historical cost basis.

Functional and Presentation Currency

The financial statements are presented in Philippines peso, which is the Company's functional currency.

Use of Judgements and Estimates

The preparation of the financial statements in Philippine Financial Reporting Standards for SMEs requires the management of the Company to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Future events may occur which will cause the assumption used in arriving at the estimates to change. The effects of changes in estimates will be reflected in the financial statements as they become reasonably determinable.

Revenue

Revenue from grants, donations and interest income on deposits is recognized to the extent that it is probable that the economic benefits will flow to the company. Revenue is measured at the fair value of the consideration received or receivable, net of discounts and services-related taxes collected on behalf of the government of the Philippines.

Accounts Payable

Accounts payable are obligations arising from operations on the basis of normal credit terms and do not bear interest.

Employee Benefits

The liability for employee benefit obligations relates to government-mandated long service payments. All full-time staff, excluding directors, are covered by the program. A payment is made 5 percent salary (as determined for the twelve months before the payment) at the end of five years employment. The payment is made as part of the December payroll in the fifth year. The group does not fund this obligation in advance.

The Company's cost and obligation to make long service to employees are recognized during the employees' period of service. The cost and obligation are measured using the projected unit credit method, assuming a 4 percent average annual salary increase, with an employee turnover based on the Company's recent experience, discounted using the current market yield for high quality corporate bonds.

Fund Balances

Fund balances represent the cumulative balance of excess of revenues over expenses, prior period adjustments, effects of changes in accounting policy and other capital adjustments. **General fund** is available for general use. **Special funds** are funds restricted by the respective donors for specific use or project. Fund balances include all current and prior period results as disclosed in the statement of operations.

3 – Management Provisions and Contingencies

Provisions and Contingencies

A provision is liability of uncertain timing or amount. It is recognized when the Company has a legal or constructive obligation as a result of a past event; and it is probable that an outflow of economic benefits will be required to settle the obligations, and a reliable estimate of the obligation can be made.

When it is not probable that an outflow of economic benefits will be required, or an amount cannot be estimated reliably, the obligation is disclosed as a contingent liability unless the probability of outflow of economic benefits is remote.

Contingent Liabilities

The estimate of the probable costs for the resolution of possible claims has been developed in consultation with outside counsel handling the Company's defense in these matters and is based upon an analysis of potential results. The Company is a party to certain lawsuits or claims arising from the ordinary course of the business. However, the Company's management and legal counsel believe that the eventual liabilities under these lawsuits or claims will not have a material effect on the Company's financial position and/or performance. Accordingly, no provision for probable losses arising from legal contingencies was recognized in the Company's financial statements at December 31, 2018 and 2017.

4 – Events after the Reporting Period

Events after the Reporting Period

Post year-end events that provide additional information about the Company's financial position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

5 . *Cash*

		<u>2018</u>		<u>2017</u>
Cash in Bank - Peso	P	2,453,567	P	1,943,808
Cash in Bank - \$		1,281,127		924,611
Total	P	3,734,693	P	2,868,419

6 . *Receivables*

		<u>2018</u>		<u>2017</u>
Cash Advances- O/E	P	0	P	10,000
	P	0	P	10,000

7 . *Other Current Assets*

		<u>2018</u>		<u>2017</u>
Rental Deposits	P	30,000	P	30,000
	P	30,000	P	30,000

8 . *Property and Equipment*

		<u>2018</u>		<u>2017</u>
Cost				
Beginning Balance	P	553,977	P	492,267
Additions		32,400		61,710
Disposals				
Retirements				
Ending Balance		586,377		553,977
Accumulated Depreciation				
Beginning Balance		323,112		275,044
Depreciation and Amortization		48,068		48,068
Disposals				
Retirements				
Ending Balance		371,180		323,112
Net Book Value	P	215,197	P	230,865

9 . *Accounts Payable*

		<u>2018</u>		<u>2017</u>
Accounts Payable - O/E	P	360,994	P	267,056
	P	360,994	P	267,056

10 . *Revenues*

		<u>2018</u>		<u>2017</u>
Grants	P	6,832,190	P	5,717,463
Donations & Interest		32,400		1,62,852
	P	6,864,590	P	6,050,356



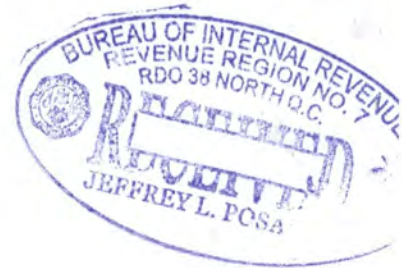
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11 . *Program/Activity Costs*

		<u>2018</u>		<u>2017</u>
Road Safety Project	P	2,081,032	P	1,072,165
Fact-Checking		1,399,293		3,869,469
Writing/Research		290,793		190,870
Earth Journalism Project		189,737		
Depreciation Expense		48,068		48,068
Journalism and Multi-media Reporting		0		435,786
	P	<u>4,008,922</u>	P	<u>5,616,358</u>

11 *Operating Expenses*

		<u>2018</u>		<u>2017</u>
Salaries/Professional Fees	P	1,994,718	P	515,500
Benefits		356,496		83,760
Office Rent/Utilities		162,938		213,886
Communication Expense		103,800		4,820
Legal fees and licenses		39,340		43,066
Office Supplies		25,645		51,081
Meetings & Conferences		8,922		26,070
Transportation		6,808		2,600
	P	<u>2,698,667</u>	P	<u>940,782</u>



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#36 Agpalza Bldg., 20th Avenue
Bgry. San Roque, Quezon City
Tel. No. (63)9178879264

**Statement Required by Rule 68, Section 3.c
Securities Regulation Code (SRC),
As amended on October 25, 2005**

The Board of Directors
VERAFILES INCORPORATED
Rm. 4-A No. 92 A. Prosperity Bldg.
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Quezon City

The supplemental written statement being required by the Securities & Exchange commission with respect to the number of shareholders owning one hundred or more shares each is not applicable because the SRC rules on the subject matter apply only to stock corporations. VERAFILES INCORPORATED is a non-stock, non-profit organization, which does not issue shares of stocks. A stock corporation is one which has capital stock divided into shares and is authorized to distribute dividends or allotments of retained earnings on the basis of shares held.

The Clerk of Board

MA. ELOISA S. GAYAMAT

Certified Public Accountant

CPA Cert. No. 42258, 10/05/2019

BOA No. 2704, 12/31/2021

BIR # AN:07-000007-004-2017 – 02/24/2020

TIN: 151-368-291-000

PTR No 7548778, 01/23/2019, Quezon City

April 13, 2019



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