

**VERAFILES INCORPORATED**

Rm. 4-A No. 92 A. Prosperity Bldg.  
West Center, Brgy. Philam  
Quezon City

**Financial Statements**  
December 31, 2017 & 2016

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR ANNUAL INCOME TAX RETURN**

The Management of VERAFILES INCORPORATED is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2017. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return. Furthermore, the Management is responsible for all information and representations contained in all tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2017 and the accompanying Annual Income Tax Return are in accordance with the books and records of VERAFILES INCORPORATED, complete and correct in all material respects. Management likewise affirms that:

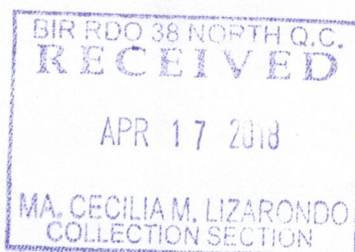
- (a) The Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- (b) Any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;
- (c) VERAFILES INCORPORATED has filed all applicable tax 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 in good faith.



ELLEN T. TORDESILLAS, President



MA. CONCEPCION CRUZ, Treasurer



STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS

The management of VERAFILES, INC. is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the year ended December 31, 2017 and 2016 in accordance with the prescribed financial reporting framework indicated therein, 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 VERAFILES, INC.'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 VERAFILES, INC. or to cease operations, or has no realistic alternative to do so.

The Board of Trustees is responsible for overseeing the VERAFILES, INC.'s financial reporting process.

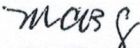
The Board of Trustees reviews and approves the financial statements, including the schedules attached therein, and submits the same to the members.

**Ma. Eloisa S. Gayamat**, the independent auditor appointed by the members, has audited the financial statements of the VERAFILES, INC. in accordance with Philippine Standards on Auditing, and in her report to the members, has expressed her opinion on the fairness of presentation upon completion of such audit.



ELLEN TORDESILLAS

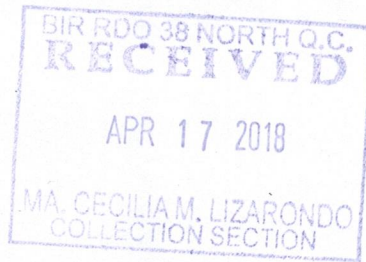
President



MA. CONCEPCION CRUZ

Treasurer

Signed this \_\_\_\_\_ day of \_\_\_\_\_



**MA. ELOISA S. GAYAMAT**

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

“TO THE SECURITIES AND EXCHANGE COMMISSION;”

In connection with my examination of the financial statements of **VERAFILES INCORPORATED** which are to be submitted to the Commission, I hereby represent the following:

1. That said financial statements are presented in conformity with Philippine Financial Reporting Standards for Small and Medium sized Entities in all cases where I shall express an unqualified opinion: Except that in case of any departure from such principles; I shall indicate the nature of the departure, the effects thereof, and the reasons why compliance with the principles would result in a misleading statement, if such is a fact;
2. That I shall fully meet the requirements of independence as provided under the Code of Professional Ethics for CPAs;
3. That in the conduct of the audit, I shall comply with the Philippine Financial Reporting Standards for Small and Medium sized Entities promulgated by the Board of Accountancy; in case of any departure from such standards or any limitation in the scope of my examination, I shall indicate the nature of the departure and the extent of the limitation, the reasons therefore and the effects thereof on the expression of my opinion or which may necessitate the negation of the expression of an opinion; and
4. That relative to the expression of my opinion on the said financial statements, I shall not commit any acts discreditable to the profession as provided under Code of Professional Ethics for CPAs.

As a CPA engaged in public practice, I make these representation in my individual capacity.

*Ma Eloisa S. Gayamat*

**MA. ELOISA S. GAYAMAT**

Certified Public Accountant

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

BOA No. 2704 – 02/19/16-Valid until-12/31/2018

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

TIN: 151-368-291-000

PTR No. 4056170, 01/10/2018, Quezon City

April 13, 2018

**MA. ELOISA S. GAYAMAT**

#36 Agpalza Bldg., 20<sup>th</sup> Avenue

Bgry. 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, 2017 and 2016, 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, 2017 and 2016, 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.

*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

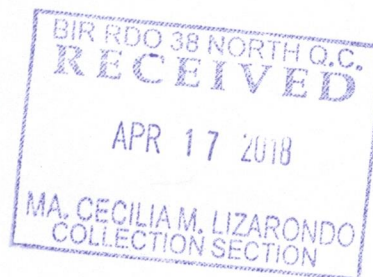
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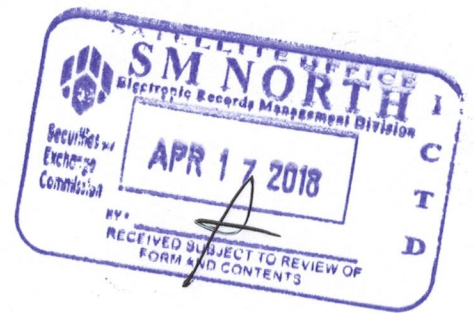
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PTR No 4056170, 01/10/2018, Quezon City



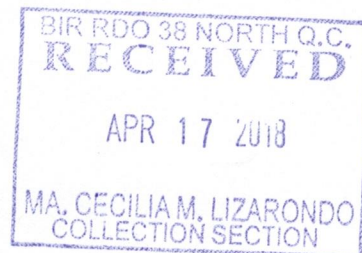
April 13, 2018

**VERAFILES INCORPORATED**  
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**COMPARATIVE STATEMENT OF FINANCIAL POSITION**

		December 31	
	Notes	2017	2016
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash	2,3,4,5 P	2,868,419 P	2,309,530
Receivables	2,3,4,6	10,000	7,203
Other Current Assets	2,3,4,7	30,000	30,000
<b>Total Current Assets</b>		<b>2,908,419</b>	<b>2,346,733</b>
<b>Non-Current Assets</b>			
Property & Equipment (Net)	2,3,4,8	230,864	217,222
<b>Total Current Assets</b>		<b>230,864</b>	<b>217,222</b>
<b>TOTAL ASSETS</b>	<b>P</b>	<b>3,139,283 P</b>	<b>2,563,955</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Current Liabilities:</b>			
Accounts Payable	2,3,4,9 P	287,057 P	4,944
Deferred Project Fund		22,601	1,174,795
		<b>309,658</b>	<b>1,179,739</b>
<b>Fund Balances</b>	2,3,4	<b>2,829,625</b>	<b>1,384,216</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>P</b>	<b>3,139,283 P</b>	<b>2,563,955</b>



**VERAFILES INCORPORATED**

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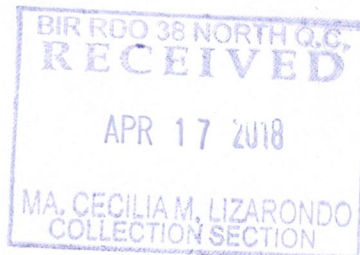
West Center, Brgy. Philam, Quezon City

**COMPARATIVE STATEMENTS OF OPERATIONS**

**Years Ended December 31**

	Notes	2017	2016
Revenues	2,3,10 P	6,850,356 P	7,832,155
Program Costs	2,3,11	5,616,358	6,180,736
		1,233,998	1,651,419
Administrative Cost	2,3,4,12	940,783	1,651,419
Excess (deficit) of revenues over costs and expenses	P	293,215 P	0

*See accompanying Notes to Financial Statements*



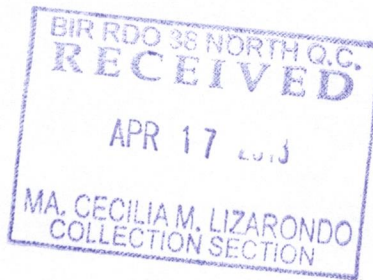


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**COMPARATIVE STATEMENT OF CHANGES IN FUND BALANCES**

	Notes	December 31	
		2017	2016
Fund Balances (Deficit)			
At the Beginning of the Year	2,3 P	1,384,216 P	1,384,216
Deferred Project Fund		1,152,194	
Excess of Revenue Over Costs and Expenses	2,3	293,215	0
<b>Fund Balances (Deficit) At the End of the Year</b>	<b>P</b>	<b>2,829,625 P</b>	<b>1,384,216</b>

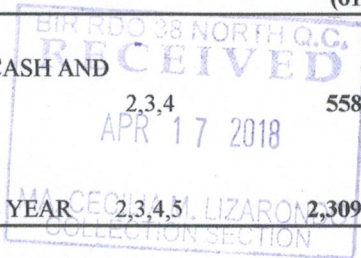


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**COMPARATIVE STATEMENTS OF CASH FLOWS**  
**Years Ended December 31**

	Notes	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Excess of Revenues Over Costs and Expenses	P	293,215	P 0
Adjustments for:			
Depreciation		48,068	48,068
Operating Income (Deficit) before working fund changes		341,283	48,068
Decrease (Increase) in			
Receivables	2,3,6	(2,797)	27,797
Other Current Assets	2,3,7	0	(30,000)
Increase (Decrease) in			
Accounts Payable	2,3,9	282,113	(37,231)
Increase in Deferred Project Fund			1,174,795
Cash Provided by operations		620,599	1,183,428
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Interest Received		0	0
Net Cash from (used in) financing activities		0	0
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment of Security Deposit			
Acquisition of Property & Equipment		(61,710)	(134,985)
Net cash used in investing activities		(61,710)	(134,985)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		558,889	1,048,443
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	2,3,4,5	2,309,530	1,261,087
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	2,3,4,5 P	2,868,419	P 2,309,530



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Notes to Financial Statements  
As of and for the Year Ended, December 31, 2017

### *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, 2017 and 2016 were authorized for issue by the Board of Trustees on April 9, 2018.

### *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.

Other income is recognized only upon collection or accrued when there is reasonable degree of certainty as to its collectability.

**Cash and 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 with original maturities of three months or less and are subject to an insignificant risk of change in value.

**Receivables**

Receivables are advances of officers/employees for projects. At the end of each reporting period, the carrying amounts of receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognized immediately in profit loss.

**Property and Equipment**

Property and equipment are stated at cost less accumulated depreciation and amortization, and any impairment in value.

The initial cost of property and equipment comprises its purchase price and any attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the assets have been put into operation, such repairs and maintenance costs are normally recognized in the statement of revenues and expenses in the period these are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Depreciation is calculated on a straight-line basis over the following estimated useful lives of the assets:

	<u>Number of Years</u>
Furniture and Fixtures	5
Office Equipment	5

Depreciation and amortization of property and equipment begins when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation and amortization of property and equipment ceases when the property and equipment are derecognized. Depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

If there is an indication that there has been a significant change in the estimated useful lives and method of depreciation and amortization, the depreciation and amortization of that asset is revised prospectively to reflect the new expectations.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation and any impairment in value are removed from the accounts and any resulting gain or loss is reflected in the statement of revenues and expenses.

**Impairment of Assets**

At each reporting date, plant, and equipment, and intangible assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset ( or group of related assets) is estimated and compared with its carrying amount is reduced to its estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss recognized immediately in profit or loss.

### **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, 2017 and 2016.

## ***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>2017</u>		<u>2016</u>
		8		
Cash in Bank - Peso	P	1,943,808	P	1,362,456
Cash in Bank - \$		924,611		947,074
<b>Total</b>	<b>P</b>	<b>2,868,419</b>	<b>P</b>	<b>2,309,530</b>

6 . *Receivables*

		<u>2017</u>		<u>2016</u>
Cash Advances- O/E	P	10,000	P	7,203
	<b>P</b>	<b>10,000</b>	<b>P</b>	<b>7,203</b>

7 . *Other Current Assets*

		<u>2017</u>		<u>2016</u>
Rental Deposits	P	30,000	P	30,000
	<b>P</b>	<b>30,000</b>	<b>P</b>	<b>30,000</b>

8 . *Property and Equipment*

		<u>2017</u>		<u>2016</u>
Cost				
Beginning Balance	P	492,267	P	357,282
Additions		61,710		134,985
Disposals				
Retirements				
<b>Ending Balance</b>		<b>553,977</b>		<b>492,267</b>
Accumulated Depreciation				
Beginning Balance		275,045		226,977
Depreciation and Amortization		48,068		48,068
Disposals				
Retirements				
<b>Ending Balance</b>		<b>323,113</b>		<b>275,045</b>
<b>Net Book Value</b>	<b>P</b>	<b>230,864</b>	<b>P</b>	<b>217,222</b>

9 . *Accounts Payable*

		<u>2017</u>		<u>2016</u>
Accounts Payable	P	287,057	P	4,944
	<b>P</b>	<b>287,057</b>	<b>P</b>	<b>4,944</b>

10 . *Revenues*

		<u>2017</u>		<u>2016</u>
Grants	P	5,717,463	P	6,200,835
Donations & Interest		1,132,892		1,136,876
Local Counterpart		-		435,907
Other Sources		-		58,537
	<b>P</b>	<b>6,850,356</b>	<b>P</b>	<b>7,832,155</b>

11 . *Program/Activity Costs*

		<u>2017</u>		<u>2016</u>
Fact Checking	P	3,869,469	P	
Road Safety Project		1,072,165		2,023,188
Journalism and Multi-media Reporting		435,786		2,414,505
Writing/Research		190,870		232,294
Depreciation Expense		48,068		48,068
Media Ownership Project		-		1,091,296
Editorials		-		272,163
Web Development & Maintenance		-		75,810
Asean Video Project		-		23,412
	<b>P</b>	<b>5,616,358</b>	<b>P</b>	<b>6,180,736</b>

12 *Operating Expenses*

		<u>2017</u>		<u>2016</u>
Salaries/Professional Fees	P	515,500	P	1,326,922
Office Rent/Utilities		213,886		47,800
Benefits		83,760		106,846
Office Supplies		51,081		21,950
Legal fees and licenses		43,066		40,237
Meetings & Conferences		26,070		40,313
Communication Expense		4,820		63,528
Transportation		2,600		3,823
	<b>P</b>	<b>940,783</b>	<b>P</b>	<b>1,651,419</b>