

HCSA COMMUNITY SERVICES

UNIQUE ENTITY NUMBER: S97SS0023J

**MANAGEMENT COMMITTEE'S STATEMENT
AND FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2017

LO HOCK LING & CO

Chartered Accountants Singapore

盧鶴齡會計公司



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HCSA COMMUNITY SERVICES

CORPORATE INFORMATION 2017

1. CHARITY REGISTRATION NUMBER

001299

2. INSTITUTION OF A PUBLIC CHARACTER (IPC) NUMBER

IPC 000212

3. UNIQUE ENTITY NUMBER (UEN)

S97SS0023J

4. REGISTERED ADDRESS

No. 1 Lorong 23, Geylang, Singapore 388352

5. BOARD MEMBERS

Name

Vincent Lim Kee Ang
Tony Lim King Leong
Yeo Jih-Shian
Arumugam Meganathan
George Dixon Butron
Eng Heng Long
Anthony Lye
Dominique Choy Sok Fun
Sylvia Lee
Ooi Hoe Seong

Designation

President
Vice President
Treasurer
Assistant Treasurer
Secretary
Assistant Secretary
Board Member
Board Member
Board Member
Board Member

6. BANKERS

OCBC Bank Ltd
DBS Bank

7. AUDITORS

Lo Hock Ling & Co.
Public Accountants and
Chartered Accountants Singapore

HCSA COMMUNITY SERVICES

(Registered under the Societies Act)

STATEMENT BY MANAGEMENT COMMITTEE

In our opinion, the accompanying financial statements of HCSA Community Services (the "Association") set out on pages 6 to 28 which comprise the statement of financial position as at 31 December 2017, and the statement of financial activities, statement of changes in funds and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, are properly drawn up in accordance with the provisions of the Charities Act, Cap. 37, Societies Act, Cap. 311 and Financial Reporting Standards in Singapore so as to present fairly, in all material respects, the state of affairs of the Association as at 31 December 2017 and the results, changes in funds and cash flows of the Association for the year ended on that date.

On Behalf of the Management Committee



Vincent Lim Kee Ang
President



Yeo Jih-Shian
Treasurer

Singapore, 7 May 2018

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of HCSA Community Services (the "Association") set out on pages 6 to 28, which comprise the statement of financial position (balance sheet) as at 31 December 2017, and the statement of financial activities, statement of changes in funds and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Societies Act, Cap. 311 (the "Societies Act"), the Charities Act, Cap. 37 and other relevant regulations (the "Charities Act and Regulations") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the financial position of the Association as at 31 December 2017 and the results, changes in funds and cash flows of the Association for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Association in accordance with the *Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information in the annual report but does not include the financial statements and our auditor's report thereon. Other than the information included in Corporate Information 2017 and Statement by the Management Committee set out on pages 1 to 2 of this report which we obtained prior to the date of this auditor's report, the remaining other information included in the annual report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Management Committee for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the provisions of the Societies Act, the Charities Act and Regulations and FRSs, 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 Association'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 Association or to cease operations, or has no realistic alternative but to do so.

The Management Committee's responsibilities include overseeing the Association's financial reporting process.

Continued

Auditors' Responsibilities for the Audit of the Financial Statements

Our 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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs 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 SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We 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 our 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association 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.

We communicate with the Management Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

In our opinion,

- (a) the accounting and other records required to be kept by the Association have been properly kept in accordance with the provisions of the Societies Regulations enacted under the Societies Act, the Charities Act and Regulations; and
- (b) the fund-raising appeals held during the year have been carried out in accordance with Regulation 6 of the Societies Regulations issued under the Societies Act and proper accounts and other records have been kept of the fund-raising appeal.

Continued

Report on Other Legal and Regulatory Requirements

During the course of our audit, nothing has come to our attention that causes us to believe that during the year:

- (a) the Association has not used the donation moneys in accordance with its objectives as required under Regulation 11 of the Charities (Institutions of a Public Character) Regulations; and
- (b) the Association has not complied with the requirements of Regulation 15 of the Charities (Institutions of a Public Character) Regulations.



LO HOCK LING & CO.
PUBLIC ACCOUNTANTS AND
CHARTERED ACCOUNTANTS SINGAPORE

Singapore, 7 May 2018

HCSA COMMUNITY SERVICES

(Registered under the Societies Act)

Statement of Financial Position as at 31 December 2017

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
		\$	\$
<u>ASSETS</u>			
<u>Non-Current Asset</u>			
Property, plant and equipment	3	<u>955,532</u>	<u>574,900</u>
		<u>955,532</u>	<u>574,900</u>
<u>Current Assets</u>			
Trade and other receivables	4	1,037,834	453,779
Fixed deposits with bank	5	2,155,000	1,460,000
Cash and bank balances		<u>1,412,534</u>	<u>2,007,700</u>
		<u>4,605,368</u>	<u>3,921,479</u>
Total Assets		<u>5,560,900</u>	<u>4,496,379</u>
<u>FUNDS AND LIABILITIES</u>			
<u>Funds</u>			
<u>Unrestricted Funds</u>			
General fund		4,242,811	3,687,137
Training Kitchen fund	6	100,000	100,000
<u>Restricted Funds</u>			
Silver Volunteer fund	7	14,224	-
SPIN fund	8	<u>147,369</u>	<u>-</u>
Total Funds		<u>4,504,404</u>	<u>3,787,137</u>
<u>Non-Current Liability</u>			
Deferred capital grants	9	<u>150,660</u>	<u>7,635</u>
		<u>150,660</u>	<u>7,635</u>
<u>Current Liabilities</u>			
Deferred capital grants	9	113,983	23,131
Other payables	10	<u>791,853</u>	<u>678,476</u>
		<u>905,836</u>	<u>701,607</u>
Total Liabilities		<u>1,056,496</u>	<u>709,242</u>
Total Funds and Liabilities		<u>5,560,900</u>	<u>4,496,379</u>

The accompanying notes form an integral part of these financial statements.

HCSA COMMUNITY SERVICES

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Statement of Financial Activities for the year ended 31 December 2017

		Unrestricted funds	Restricted funds	Total	Total
	Notes	2017	2017	2017	2016
		\$	\$	\$	\$
INCOME FROM GENERATED FUNDS					
Voluntary Income					
Amortisation of deferred capital grants	9	40,856	-	40,856	23,131
Donations					
- non-tax deductible		46,176	14,224	60,400	51,690
- tax deductible		417,665	-	417,665	281,765
Government grants	11	970,056	418,325	1,388,381	777,872
MSF subvention					
- per capita grant		413,081	-	413,081	302,042
- rental		70,366	-	70,366	73,856
Residential maintenance		-	-	-	3,210
Residential rental		43,523	-	43,523	41,143
		<u>2,001,723</u>	<u>432,549</u>	<u>2,434,272</u>	<u>1,554,709</u>
Activities for Generating Funds					
Income from fund-raising events	12	1,477,170	-	1,477,170	1,675,096
Hi-Thrift sales		-	-	-	21,753
Removal sales		-	-	-	67,019
Rental income / utility recoveries		<u>1,214,032</u>	<u>-</u>	<u>1,214,032</u>	<u>696,184</u>
		<u>2,691,202</u>	<u>-</u>	<u>2,691,202</u>	<u>2,460,052</u>
Investment Income					
Interest income from fixed deposits		<u>3,489</u>	<u>-</u>	<u>3,489</u>	<u>709</u>
Other Income					
Allowance for doubtful debt written back	4	-	-	-	45,579
Gain on disposal of property, plant and equipment		970	-	970	34,354
Other government grants		69,781	-	69,781	104,967
Miscellaneous income		<u>22,472</u>	<u>-</u>	<u>22,472</u>	<u>2,053</u>
		<u>93,223</u>	<u>-</u>	<u>93,223</u>	<u>186,953</u>
TOTAL INCOME		<u>4,789,637</u>	<u>432,549</u>	<u>5,222,186</u>	<u>4,202,423</u>

The accompanying notes form an integral part of these financial statements.

HCSA COMMUNITY SERVICES

(Registered under the Societies Act)

Statement of Financial Activities for the year ended 31 December 2017 (continued)

		Unrestricted funds	Restricted funds	Total	Total
	Notes	2017	2017	2017	2016
		\$	\$	\$	\$
EXPENDITURES					
Costs of Generating Funds					
Appreciation and training for volunteers		9,178	-	9,178	138
Bad debts written off		20	-	20	2,249
Bank charges		4,405	-	4,405	2
Clinical and therapy expenses		-	-	-	1,219
Commission to property agents		19,180	-	19,180	46,495
Depreciation on property, plant and equipment	3	1,997	-	1,997	5,001
Disposal		4,250	-	4,250	607
Employer's contributions to Central Provident Fund	13	34,333	-	34,333	46,153
Food and refreshment		1,262	-	1,262	1,976
Fund-raising expenses	12	205,459	-	205,459	164,155
General expenses		8,167	-	8,167	13,002
Insurance		2,210	-	2,210	3,038
Lease of premises		382,672	-	382,672	334,931
Materials		-	-	-	4,328
Printing, stationery and postage		10,880	-	10,880	11,358
Repairs and maintenance		29,541	-	29,541	36,576
Retreats and special events		386	-	386	3,774
Salaries and related costs	13	249,414	-	249,414	278,781
Sanitary		125	-	125	24
SDF levy		435	-	435	545
Staff benefits		1,395	-	1,395	2,627
Tuition		-	-	-	1,100
Telecommunication		2,780	-	2,780	4,494
Transport		2,965	-	2,965	2,999
Utilities		151,059	-	151,059	120,147
Vehicle expenses		3,253	-	3,253	19,557
Wages		741	-	741	3,351
		<u>1,126,107</u>	<u>-</u>	<u>1,126,107</u>	<u>1,108,627</u>

The accompanying notes form an integral part of these financial statements.

HCSA COMMUNITY SERVICES

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Statement of Financial Activities for the year ended 31 December 2017 (continued)

		Unrestricted funds	Restricted funds	Total	Total
	Notes	2017	2017	2017	2016
		\$	\$	\$	\$
EXPENDITURES (continued)					
Charitable Activities and Programs Costs					
Advertising		226	132	358	1,098
Appreciation and training for volunteers		1,026	1,172	2,198	590
Bank charges		2,081	425	2,506	1,985
Clinical and therapy expenses		31,027	170	31,197	44,785
Community outreach and special events		11,756	748	12,504	10,818
Depreciation on property, plant and equipment	3	348,031	2,936	350,967	231,913
Disposal		-	-	-	2,325
Employer's contributions to Central Provident Fund	13	209,333	19,846	229,179	174,767
Food and refreshment		51,475	712	52,187	62,666
Foreign worker levy		28,075	-	28,075	29,526
General expenses		33,338	677	34,015	16,889
Insurance		23,980	1,313	25,293	18,529
Lease of premises		313,613	34,690	348,303	297,356
Printing, stationery and postage		16,546	3,179	19,725	20,117
Property, plant and equipment written off		-	-	-	19,942
Repairs and maintenance		83,547	23,405	106,952	105,808
Resident/intern allowance		30,312	310	30,622	37,578
Salaries and related costs	13	1,630,076	162,822	1,792,898	1,366,115
Sanitary		7,720	766	8,486	9,831
SDF levy		3,259	331	3,590	2,846
Security fees		5,136	-	5,136	40,702
Staff benefits		36,023	1,824	37,847	48,266
Tuition		59,209	-	59,209	49,938
Telecommunication		30,796	4,261	35,057	37,205
Transport		17,903	4,939	22,842	22,743
Utilities		61,469	5,475	66,944	69,229
Vehicle expenses		16,234	41	16,275	19,159
Wages		22,111	782	22,893	51,714
		<u>3,074,302</u>	<u>270,956</u>	<u>3,345,258</u>	<u>2,794,440</u>
Governance Costs					
Audit fees		12,208	-	12,208	10,605
Professional fees		21,346	-	21,346	33,726
		<u>33,554</u>	<u>-</u>	<u>33,554</u>	<u>44,331</u>
TOTAL EXPENDITURES		<u>4,233,963</u>	<u>270,956</u>	<u>4,504,919</u>	<u>3,947,398</u>
Net income for the year		555,674	161,593	717,267	255,025
Total funds brought forward		<u>3,787,137</u>	<u>-</u>	<u>3,787,137</u>	<u>3,532,112</u>
Total funds carried forward		<u>4,342,811</u>	<u>161,593</u>	<u>4,504,404</u>	<u>3,787,137</u>

The accompanying notes form an integral part of these financial statements.

HCSA COMMUNITY SERVICES

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Statement of Changes in Funds for the year ended 31 December 2017

	<u>Unrestricted Funds</u>		<u>Restricted Funds</u>			
	<u>General fund</u>	<u>Training Kitchen fund</u>	<u>Silver Volunteer fund</u>	<u>SPIN fund</u>	<u>Total</u>	
	\$	\$	\$	\$	\$	
Balance as at 1 January 2016	3,532,112	-	-	-	3,532,112	
Net income for the year	155,025	100,000	-	-	255,025	
Balance as at 31 December 2016	3,687,137	100,000	-	-	3,787,137	
Net income for the year	555,674	-	14,224	147,369	717,267	
Balance as at 31 December 2017	4,242,811	100,000	14,224	147,369	4,504,404	

The accompanying notes form an integral part of these financial statements.

HCSA COMMUNITY SERVICES

(Registered under the Societies Act)

Statement of Cash Flows for the year ended 31 December 2017

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
		\$	\$
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Net income for the year		717,267	255,025
Adjustments for:			
Depreciation on property, plant and equipment	3	352,964	236,914
Property, plant and equipment written off		-	19,942
Amortisation of deferred capital grants	9	(40,856)	(23,131)
Interest income		(3,489)	(709)
Gain on disposal of property, plant and equipment		(970)	(34,354)
Operating surplus before working capital changes		1,024,916	453,687
(Increase)/decrease in receivables		(584,055)	163,457
Increase in payables		113,377	184,834
Net cash from operating activities		554,238	801,978
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>			
Interest received		3,489	709
Proceeds from disposal of property, plant and equipment		2,500	70,000
Increase in fixed deposits with maturity over 3 months		(695,000)	(915,886)
Purchase of property, plant and equipment	3	(735,126)	(502,921)
Net cash used in investing activities		(1,424,137)	(1,348,098)
<u>CASH FLOWS FROM FINANCING ACTIVITY</u>			
Grants received as deferred capital grants	9	274,733	-
Net cash from financing activity		274,733	-
Net decrease in cash and cash equivalents		(595,166)	(546,120)
Cash and cash equivalents at beginning of the year		2,007,700	2,553,820
Cash and cash equivalents at end of the year	14	1,412,534	2,007,700

The accompanying notes form an integral part of these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS - 31 December 2017

The following notes form an integral part and should be read in conjunction with the accompanying financial statements.

1. GENERAL INFORMATION

- (a) HCSA Community Services (the "Association") is registered with the Registrar of Societies in the Republic of Singapore. It is also a charity registered under the Charities Act, Cap. 37. Its registered office is located at No. 1 Lorong 23 Geylang, Singapore 388352.
- (b) The principal activities of Association is to operate a halfway and three quarter way house to rehabilitate male ex-offenders, operate a residential treatment centre for abused teenage girls and provide community-based services to the needy, elderly and disadvantaged. The Association is also an Institution of Public Character ("IPC") under the Ministry of Social and Family Development.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The Association presents its financial statements in Singapore dollars, which is also its functional currency. These financial statements are prepared in accordance with the historical cost convention and comply with Charities Act, Societies Act and Singapore Financial Reporting Standards (FRS), including related Interpretations promulgated by the Accounting Standards Council.

During the financial year, the Association adopted all the applicable new/revised FRSs which are effective on or before 1 January 2017. The adoption of these new/revised FRSs did not have any material effect on the Association's financial statements and did not result in substantial changes to the Association's accounting policies.

(b) Significant Accounting Estimates and Judgments

Estimates, assumptions concerning the future and judgments are made in the preparation of the financial statements. They affect the application of the Association's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an ongoing basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

(A) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date 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.

Depreciation on Property, Plant and Equipment

The costs of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management's estimates of the useful lives of these property, plant and equipment are disclosed in note 2(d). Changes in the expected usage and technological developments could impact the economic useful lives and the residual values of these assets. Therefore, future depreciation charges could be revised. The carrying amount of property, plant and equipment and the depreciation charge for the year are disclosed in note 3 to the financial statements.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Significant Accounting Estimates and Judgments (continued)

(B) *Critical judgments made in applying accounting policies*

In the process of applying the Association's accounting policies, the management has made certain judgments, apart from those involving estimations, which have significant effect on the amounts recognised in the financial statements.

(i) *Impairment of Trade Receivables*

The impairment policy for bad and doubtful debts of the Association is based on the evaluation of collectability and ageing analysis of the accounts receivables and on management's judgment. At the balance sheet date, trade receivables amounting to \$300 (2016: \$8,692) were past due but regarded as not impaired. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current credit worthiness and the past collection history of each customer. If the financial condition of these customers were to deteriorate, resulting in an impairment of their ability to make payment, allowance for impairment will be required.

(ii) *Impairment of Non-Financial Assets*

The carrying amounts of the Association's non-financial assets subject to impairment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated based on the higher of the value in use and the asset's fair value less cost of disposal. Estimating the value in use requires critical judgment on the part of the management to make an estimate of the expected future cash flows from the continuing use of the assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(c) FRS issued but not yet effective

The Association has not applied any new FRS that has been issued but is not yet effective. The Management Committee plan to adopt these FRSs in the first financial year commencing on or after their respective effective dates.

The new FRSs issued but are not yet effective that are relevant to the Association's financial statements are as follows:

<u>New FRSs relevant to the Association's financial statements</u>	<u>Effective for annual periods beginning on or after</u>
FRS 109 Financial Instruments	1 January 2018
FRS 116 Leases	1 January 2019

The nature of the impending changes in accounting policy on adoption of the above new FRSs are described below.

FRS 109 Financial Instruments

FRS 109, which replaces FRS 39 *Financial Instruments: Recognition and Measurement* when it becomes effective, introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) FRS issued but not yet effective (continued)

FRS 109 Financial Instruments (continued)

FRS 109 establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVPL). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss, with the irrevocable option at inception to present changes in fair value in other comprehensive income. Gains and losses realised on the sale of financial assets at FVOCI are not transferred to profit or loss on sale but reclassified from the FVOCI reserve to retained profits within equity.

Under FRS 109, there are no changes to the classification and measurement requirements for financial liabilities except for the recognition of fair value changes arising from changes in own credit risk. For liabilities designated at fair value through profit or loss, such changes are recognised in other comprehensive income.

FRS 109 relaxes the rules-based hedge effectiveness testing by removing the 80% to 125% bright line threshold for hedge effectiveness testing. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management uses for risk management purposes.

The impairment requirements in FRS 109 are based on an expected credit loss model, which replaces the FRS 39 incurred loss model. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, lease receivables, contract assets, loan commitments and certain financial guarantee contracts.

Potential impact on the financial statements

The Association will apply FRS 109 retrospectively on its effective date on 1 January 2018 when the Standard becomes effective for the Association.

The Association has assessed the business models that are applicable on 1 January 2018 to financial assets so as to classify them into appropriate categories under FRS 109.

The Association does not expect a significant change to the measurement basis arising from the new classification and measurement model under FRS 109.

Cash and cash equivalents and receivables, currently classified as "loans and receivables" measured on amortised cost basis, will continue to be accounted for using the amortised cost model under FRS 109.

Impairment of financial assets

Trade and other receivables will be subject to impairment assessment under the expected credit loss impairment model under FRS 109.

Based on the Management Committee's assessment, the Association does not expect to incur significant impairment losses on its receivables when FRS 109 expected credit loss impairment model is adopted.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) FRS issued but not yet effective (continued)

FRS 116 Leases

FRS 116, which replaces *FRS 17 Leases* and the related Interpretations when it becomes effective, requires lessees to recognise most leases on the balance sheet to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemptions for lessees - short-term leases and leases of 'low value' assets.

Lessor accounting requirements under FRS 116 are substantially the same as the current FRS 17. A lessor continues to classify its leases as either operating leases or finance leases, and to account for those two types of leases differently.

Potential impact on financial statements

FRS 116 requires a lessee to apply this Standard retrospectively in accordance with the requirements of the Standard on its effective date on 1 January 2019 when the Standard becomes effective for the Association.

Based on preliminary assessment of the Association, existing operating lease arrangements as a lessee, the Management Committee expects most of the operating leases to be recognised as right-of-use (ROU) assets with corresponding lease liabilities under the new standard.

(d) Property, Plant and Equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Association and the cost of the item can be measured reliably.

Property, plant and equipment are stated at cost less accumulated depreciation and impairment loss, if any.

Any estimated costs of dismantling and removing the property, plant and equipment and reinstating the site to its original condition (reinstatement costs) are capitalised as part of the cost of the property, plant and equipment.

Depreciation is calculated on the straight line basis so as to write off the cost, less the residual value, of the assets over their estimated useful lives. The annual rates of depreciation are as follows:

Office furniture, equipment, computers and electrical appliances	3 to 5 years
Motor vehicles	5 years
Renovation	3 to 5 years

Fully depreciated assets are retained in the financial statements until they are no longer in use.

The residual values, useful lives and depreciation methods of property, plant and equipment are reviewed and adjusted as appropriate, at each financial year-end.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the assets is recognised in profit or loss in the year the asset is derecognised.

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(Registered under the Societies Act)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Trade and Other Receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. Receivables with a short duration are not discounted.

When there is objective evidence that the Association will not be able to collect all amounts due according to the original terms of the receivables, an impairment loss is recognised. The amount of the impairment loss is measured as the difference between the carrying value of the receivable and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of the receivable is reduced directly or through the use of an allowance account. The amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss shall be reversed either directly or by adjusting an allowance account. The amount of the reversal shall be recognised in profit or loss.

(f) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, cash at bank and bank deposits which are subject to insignificant risks of changes in value. Cash equivalents are stated at amounts at which they are convertible into cash.

For the purpose of the statement of cash flows, fixed deposits with original maturities over 3 months are excluded from cash and cash equivalents.

(g) Payables

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Payables with a short duration are not discounted.

Payables are recognised when the Association becomes a party to the contractual provisions of the financial instrument. Payables are derecognised when the obligation under the liability is extinguished.

(h) Revenue Recognition

Provided there is evidence of entitlement, as expressed in writing, donations and income from fund-raising events are recognised in profit or loss in the period of receipt or when they become receivable.

Interest and rental income are recognised on an accrual basis.

Revenue from sale of items is recognised upon delivery of the goods and acceptance by the customer.

A gift in kind is included in profit or loss based on an estimate of the fair value at the date of the receipt of the gift of a non-monetary asset or the grant of a right to a monetary asset. The gift is recognised if the amount of the gift can be measured reliably and there is no uncertainty that it will be received.

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Revenue Recognition (continued)

Service income from removal services are recognised upon services being rendered.

Government grants are recognised when there is reasonable assurance that the Association will comply with the conditions attaching to the grants and the grants will be received.

Grants related to income are recognised in the statement of income and expenditure on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grant is intended to compensate

Grants related to assets are recognised as deferred capital grant in the balance sheet, and are amortised over the useful life of the assets to match the depreciation of the property, plant and equipment purchased with the related grants.

(i) Funds

Monies received for specific purposes are credited directly to the respective fund accounts. Income and expenditure relating to specific funds are accounted for directly in the funds to which they relate. Assets and liabilities of the specific funds are pooled in the balance sheet.

(j) Employee Benefits

(i) *Defined Contribution Plans*

The Association makes contributions to the state provident fund (Central Provident Fund). Such contributions are recognised as compensation expense in the same period as the employment that gives rise to the contributions.

(ii) *Short-term Compensated Absences*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for employee entitlements to annual leave as a result of services rendered by employees up to the balance sheet.

(k) Impairment of Non-Financial Assets

The carrying amounts of the Association's assets subject to impairment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's fair value less cost of disposal and its value in use. The value in use is the present value of estimated future cash flows expected to arise from the continuing use of the asset and from its disposal at the end of its useful life.

An impairment loss on a non-revalued asset is recognised in profit or loss. An impairment loss on a revalued asset is recognised in other comprehensive income to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount or when there is an indication that the impairment loss recognised for the asset no longer exists or decreases. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

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(Registered under the Societies Act)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Leases

Operating Leases

Leases whereby the lessor effectively retains substantially all the risks and benefits of ownership of the leased item are classified as operating leases.

When the Association is the lessor, income arising from such operating lease is recognised on a straight line basis over the lease term.

When the Association is the lessee, operating lease payments are recognised as an expense on a straight line basis over the lease term.

(m) Related Parties

A related party is defined as follows:

(A) A person or a close member of that person's family is related to the Association if that person:

- (i) Has control or joint control over the Association;
- (ii) Has significant influence over the Association; or
- (iii) Is a member of the key management personnel of the Association or of a parent of the Association.

(B) An entity is related to the Association if any of the following conditions applies:

- (i) The entity and the Association are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to each other).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Association or an entity related to the Association.
- (vi) The entity is controlled or jointly controlled by a person identified in (A).
- (vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Association or to the parent of the Association.

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(Registered under the Societies Act)

3. PROPERTY, PLANT AND EQUIPMENT

	Office furniture, equipment, computers and electrical appliances	Motor vehicles	Renovation	Total
	\$	\$	\$	\$
<u>Cost</u>				
At 1 January 2016	300,163	330,316	829,648	1,460,127
Additions	50,228	9,277	443,416	502,921
Disposal/written off	(118,885)	(145,935)	(539,557)	(804,377)
At 31 December 2016 and 1 January 2017	231,506	193,658	733,507	1,158,671
Additions	184,880	-	550,246	735,126
Disposal/written off	(28,622)	-	(198,076)	(226,698)
At 31 December 2017	<u>387,764</u>	<u>193,658</u>	<u>1,085,677</u>	<u>1,667,099</u>
<u>Accumulated depreciation</u>				
At 1 January 2016	196,987	250,244	662,520	1,109,751
Charged to cost of generating funds	1,740	734	2,527	5,001
Charged to charitable activities and program costs	51,066	29,469	151,378	231,913
Charge for the year	52,806	30,203	153,905	236,914
Disposal/written off	(111,260)	(124,394)	(527,240)	(762,894)
At 31 December 2016 and 1 January 2017	138,533	156,053	289,185	583,771
Charged to cost of generating funds	1,997	-	-	1,997
Charged to charitable activities and program costs	44,521	26,534	276,976	348,031
Charged to SPIN fund (note 8)	2,898	-	38	2,936
Charge for the year	49,416	26,534	277,014	352,964
Disposal/written off	(27,092)	-	(198,076)	(225,168)
At 31 December 2017	<u>160,857</u>	<u>182,587</u>	<u>368,123</u>	<u>711,567</u>
<u>Carrying amount</u>				
At 31 December 2017	<u>226,907</u>	<u>11,071</u>	<u>717,554</u>	<u>955,532</u>
At 31 December 2016	<u>92,973</u>	<u>37,605</u>	<u>444,322</u>	<u>574,900</u>

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4. TRADE AND OTHER RECEIVABLES

	<u>2017</u>	<u>2016</u>
	\$	\$
Trade receivables	10,786	14,647
Allowance for doubtful debts		
Balance brought forward	-	58,232
Allowance written back	-	(45,579)
Bad debts written off against allowance	-	(12,653)
Balance carried forward	-	-
	10,786	14,647
Non-trade receivables	288,976	252,247
Grants receivable	436,508	6,155
Deposits	258,995	161,660
Prepayments	42,569	19,070
	<u>1,037,834</u>	<u>453,779</u>

Trade receivables are non-interest bearing and are generally on 30 day's (2016: 30 day's) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Non-trade receivables and deposits are unsecured, non-interest bearing and expected to be repayable on demand.

5. FIXED DEPOSITS WITH BANK

Fixed deposits have original maturity terms between 6 and 24 months and bear interest at rates ranging from 0.15% to 0.55% (2016: 0.15% to 0.55%) per annum.

6. TRAINING KITCHEN FUND

	<u>2017</u>	<u>2016</u>
	\$	\$
Balance as at 1 January	100,000	-
Movements during the year		
Funds received from donor	-	100,000
	-	100,000
Balance as at 31 December	<u>100,000</u>	<u>100,000</u>

The Training Kitchen fund is designated by donor to support setting up a training kitchen and renovating the premises at Highpoint Halfway House.

In prior year, the Training Kitchen fund was reported as income from fund-raising events under the general fund. This has been reclassified to Training Kitchen fund to comply with the requirements of Regulation 11 of the Charities (Institutions of a Public Character) Regulations and FRS 1 Presentation of Financial Statements as disclosed in note 21 to the financial statements.

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7. SILVER VOLUNTEER FUND

	<u>2017</u>	<u>2016</u>
	\$	\$
Balance as at 1 January	-	-
Movements during the year		
Funds received from Council For Third Age	14,224	-
	<u>14,224</u>	-
Balance as at 31 December	<u>14,224</u>	-

The Silver Volunteer fund is a restricted fund set up for the approved programme, Journey of Cooking and Craft Works. The fund will support expenditure relating to the training kitchen.

8. SPIN FUND

	<u>2017</u>	<u>2016</u>
	\$	\$
Balance as at 1 January	-	-
Movements during the year		
Funds received from National Council of Social Service (note 11)	418,325	-
Less: Funds utilised		
Employee benefits expense (note 13)	182,668	-
Lease of premises	34,690	-
Repairs and maintenance	23,405	-
Depreciation on property, plant and equipment (note 3)	2,936	-
Other program costs	27,257	-
	<u>270,956</u>	-
	<u>147,369</u>	-
Balance as at 31 December	<u>147,369</u>	-

SPIN fund is a restricted fund set up for the approved programme, Single Parents: Informed, Involved, Included (SPIN). The fund will be used to cover expenditure in running SPIN.

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9. DEFERRED CAPITAL GRANTS

	<u>Renovation</u>	<u>Motor vehicle</u>	<u>Total</u>
	\$	\$	\$
<u>Gross carrying value</u>			
At 1 January 2016, 31 December 2016 and 1 January 2017	-	115,656	115,656
Grants received during the year	274,733	-	274,733
At 31 December 2017	274,733	115,656	390,389
<u>Less: Accumulated amortisation</u>			
At 1 January 2016	-	61,759	61,759
Amortisation for the year	-	23,131	23,131
At 31 December 2016 and 1 January 2017	-	84,890	84,890
Amortisation for the year	17,725	23,131	40,856
At 31 December 2017	17,725	108,021	125,746
<u>Net Carrying value</u>			
At 31 December 2017	257,008	7,635	264,643
At 31 December 2016	-	30,766	30,766

Deferred capital grants represented as follows:

	<u>2017</u>	<u>2016</u>
	\$	\$
Current	113,983	23,131
Non-current	150,660	7,635
	264,643	30,766

Deferred capital grants comprise government grants received/receivable in relation to renovation expenditure and a donated motor vehicle.

10. OTHER PAYABLES

	<u>2017</u>	<u>2016</u>
	\$	\$
Accruals	296,923	258,712
Deposits received	277,051	191,452
Sundry payables	12,992	2,549
Deferred income	204,887	225,763
	791,853	678,476

Other payables are unsecured, non-interest bearing and are normally settled within 90 days or on demand.

Deferred income comprises mainly grants received in advance and collections from sale of dinner tables in respect of a fund-raising event which occurred subsequent to the financial year-end.

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11. GOVERNMENT GRANTS

	<u>2017</u>	<u>2016</u>
	\$	\$
(a) Government grants relating to Unrestricted Funds		
Care and Share Matching Grant	585,000	600,000
Yellow Ribbon Fund	385,056	160,440
Other grants	-	17,432
	970,056	777,872
(b) Government grants relating to Restricted Funds		
SPIN Fund (note 8)	418,325	-
	<u>1,388,381</u>	<u>777,872</u>

12. FUND-RAISING ACTIVITIES

Income from fund-raising events comprises donations received classified as:

	<u>2017</u>	<u>2016</u>
	\$	\$
Non-tax deductible	256,069	518,813
Tax deductible	<u>1,221,101</u>	<u>1,156,283</u>
	<u>1,477,170</u>	<u>1,675,096</u>
Fund-raising expenses	<u>205,459</u>	<u>164,155</u>

Prior year's non-tax deductible donations included donations received from the President's Challenge amounting to \$220,000.

Total expenses incurred on public fund-raising appeals in the financial year did not exceed 30% of total donations collected through the public appeals in the same year. Association had complied with the requirements of the 30/70 fund-raising rule set out in Regulation 15 of the Charities (Institutions of A Public Character) Regulations.

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13. EMPLOYEE BENEFITS EXPENSE

	<u>2017</u>	<u>2016</u>
	\$	\$
(a) Employee benefits expense relating to Unrestricted Funds		
<u>Cost of Generating Funds</u>		
Salaries and related costs	249,414	278,781
Employer's contributions to Central Provident Fund	34,333	46,153
(i)	283,747	324,934
<u>Charitable Activities and Program Costs</u>		
Salaries and related costs	1,630,076	1,366,115
Employer's contributions to Central Provident Fund	209,333	174,767
(ii)	1,839,409	1,540,882
(b) Employee benefits expense relating to Restricted Funds		
<u>Charitable Activities and Program Costs - SPIN Fund</u>		
Salaries and related costs	162,822	-
Employer's contributions to Central Provident Fund	19,846	-
(iii)	182,668	-
Total (i + ii + iii)	<u>2,305,824</u>	<u>1,865,816</u>

The above employee benefits expense includes key management personnel compensation as disclosed in note 17 to the financial statements.

14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statement of cash flows comprise cash and bank balances as shown in the statement of financial position.

15. TAXATION

As a registered charity under the Charities Act, Cap. 37, the Association is exempt from income tax under Section 13(1)(zm) of the Income Tax Act, Cap. 134.

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16. COMMITMENTS

(i) Capital Commitment

As at 31 December 2017, the Association has capital commitments amounting to \$459,656 (2016: \$23,000) in respect of contracted expenditure for property, plant and equipment which have not been provided for in the financial statements.

(ii) Operating Lease Commitment

The Association leases premises from non-related parties under non-cancellable operating lease agreements.

These leases have an average tenure of between 2 to 3 years, varying terms and provide renewal options.

As at 31 December 2017, the Association has the following lease commitments under non-cancellable operating leases where the Association is the lessee:

	<u>2017</u>	<u>2016</u>
	\$	\$
Payable within 1 year	750,636	632,357
Payable after 1 year but not later than 5 years	<u>235,482</u>	<u>814,956</u>
	<u>986,118</u>	<u>1,447,313</u>

The above operating lease commitments are based on known rental rates as at the date of this report and do not include any revision in rates which may be determined by the lessor.

As at 31 December 2017, the Association has the following lease commitments under non-cancellable operating leases where the Association is the lessor:

	<u>2017</u>	<u>2016</u>
	\$	\$
Receivable within 1 year	1,146,852	204,360
Receivable after 1 year but not later than 5 years	<u>192,392</u>	<u>96,600</u>
	<u>1,339,244</u>	<u>300,960</u>

The above operating leases receivable relate to the sublet of the Association's premises to non-related parties and do not provide for contingent rents.

17. RELATED PARTIES

The Association is governed by the Management Committee. The Chief Executive Officer and management personnel are responsible for organising and supervising the daily activities of the Association.

The Association has in place a conflict of interest policy which sets out documented procedures requiring Management Committee members and staff in management positions to declare actual or potential conflicts of interests to the Management Committee, and to abstain from voting or participating in decision making in the matter.

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17. RELATED PARTIES (continued)

Key management personnel compensation

	<u>2017</u>	<u>2016</u>
	\$	\$
Short-term employee benefits:		
Salaries and related costs	527,649	460,012
Employer's contribution to Central Provident Fund	<u>69,630</u>	<u>65,424</u>
	<u>597,279</u>	<u>525,436</u>

Key management personnel are employees holding management position in the Association.

The annual remuneration of the top three highest paid staff classified by remuneration bands are as follows:

	<u>Number of staff</u>	
	<u>2017</u>	<u>2016</u>
Annual remuneration		
\$100,001 to \$200,000	<u>3</u>	<u>-</u>

Except for the Chief Executive Officer who is a Board member, the President and members of the Management Committee are volunteers and do not receive any monetary remuneration for their service.

18. FINANCIAL RISKS MANAGEMENT

The Association is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks are credit risk, liquidity risk and interest rate risk. The management reviews and agrees on policies for managing each of these risks and they are summarised below:

(i) Credit risk

Credit risk is the potential risk of financial loss resulting from the failure of customers or other counterparties to settle their financial and contractual obligations to the Association as and when they fall due.

The Association's exposure to credit risk arises primarily from trade and other receivables. Credit evaluations are performed on all tenants. Tenants are required to place security deposits with the Association at the commencement of each tenancy term.

At the balance sheet date, there was no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Association.

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18. FINANCIAL RISKS MANAGEMENT (continued)

(i) Credit risk (continued)

Financial assets that are past due but not impaired

The Association has trade receivables that are past due but not impaired. These trade receivables are unsecured and the analysis of their aging at balance sheet date is as follows:

	<u>2017</u>	<u>2016</u>
	\$	\$
Trade receivables past due:		
1 to 30 days	75	8,327
31 to 60 days	75	306
More than 60 days	150	59
	<u>300</u>	<u>8,692</u>

There are no financial assets that are impaired as at the balance sheet date.

(ii) Liquidity risk

Liquidity risk is the risk that the Association will encounter difficulty in meeting financial obligations due to shortage of funds.

The Association manages its operating cash flows and the availability of funding so as to ensure that a sufficient level of cash and cash equivalents is maintained to meet its working capital requirement.

All financial liabilities of the Association are repayable on demand or mature within one year.

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Association's financial instruments will fluctuate because of changes in market interest rates.

The Association does not have any interest-bearing financial liabilities. Its only exposure to changes in interest rates relates to interest-earning bank deposits. The management monitors movements in interest rates to ensure deposits are placed with financial institutions offering optimal rates of return.

The interest rates and terms of maturity of financial assets of the Association are disclosed in note 5 to the financial statements.

19. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The carrying amounts of cash and cash equivalents, receivables and payables approximate their fair values due to their short term nature.

Financial Instruments by Category

The aggregate carrying amounts of financial instruments classified as loans and receivables and financial liabilities at amortised cost are as follows:

	<u>2017</u>	<u>2016</u>
	\$	\$
Loans and receivables	4,562,799	3,902,409
Financial liabilities at amortised cost	586,966	452,713

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20. RESERVE POLICY

The Association will work towards building up reserves of up to three years of operating expenditures from the Association's unrestricted funds that are freely available for operating purposes in order to ensure long term sustainability.

The Management Committee of the Association will review its reserve requirement annually.

Designated and restricted funds disclosed in notes 6 to 8 to the financial statements are only used for the specific purposes for which the funds were set up.

The Association is not subject to externally imposed reserve management requirements.

There were no changes to the Association's approach to reserve management since the previous financial year.

21. COMPARATIVE FIGURES

In the previous issued financial statements for the year ended 31 December 2016, the Kitchen Training fund received by the Association was reported as income from fund-raising events under the general fund. The fund was reclassified to designated fund to conform current year's presentation, which complies with the requirements of Regulation 11 of the Charities (Institutions of a Public Character) Regulations and FRS 1 Presentation of Financial Statements.

	<u>For the year ended 31 December</u> <u>2016</u>	
	<u>As previously</u> <u>reported</u>	<u>Revised</u> <u>financial</u> <u>statement</u>
	\$	\$
<u>Statement of Financial Position</u>		
Funds		
- General fund	3,787,137	3,687,137
- Training Kitchen fund	-	100,000
<u>Statement of Changes in Funds</u>		
Total comprehensive income for the year		
- General fund	255,025	155,025
- Training Kitchen fund	-	100,000

22. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements of the Association for the year ended 31 December 2017 were authorised for issue by HCSA Community Services Management Committee on 7 May 2018.

