MORNING STAR COMMUNITY SERVICES
(UEN: T02SS0153L)
(IPC No. IPC000103)
(Registered in the Republic of Singapore)

AUDITED FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION FOR THE YEAR ENDED 31 JANUARY 2012

WXX/WW/MH/STV

MORNING STAR COMMUNITY SERVICES
(UEN: T02SS0153L)
(IPC No. IPC000103)

MANAGEMENT COMMITTEE

TAN WEE HAN GERALD	PRESIDENT
CHRISTINA LIM	VICE-PRESIDENT
NG TECK HUNG FRANCIS	TREASURER
AUGUSTINE LOW KIM SONG	SECRETARY
TAY BONG HUA JEREMY	IMMEDIATE PAST PRESIDENT
OW SOON SIAN ALAN	COMMITTEE MEMBER
KOH AH SAN MICHAEL	COMMITTEE MEMBER
SIEW WENG LOON HENRY	COMMITTEE MEMBER
YEO KIEN SWEE JOSEPH	COMMITTEE MEMBER
LIM SIEW TIANG GERALDINE	COMMITTEE MEMBER

MORNING STAR COMMUNITY SERVICES
(UEN: T02SS0153L)
(IPC No. IPC000103)

REGISTERED OFFICE

No. 4 Lorong Low Koon
Singapore 536450

AUDITORS

Kreston David Yeung PAC
Public Accounting Corporation
128A Tanjong Pagar Road
Singapore 088535

BANKS

DBS BANK LIMITED
HONG LEONG FINANCE
RHB BANK BERHAD
MAYBANK

INDEX

MORNING STAR COMMUNITY SERVICES
(UEN: T02SS0153L)
(IPC No. IPC000103)

STATEMENT BY BOARD OF MANAGEMENT COMMITTEE MEMBERS

In the opinion of the Management Committee,

i) the accompanying financial statements as set out on pages 6 to 28 are drawn up so as to give a true and fair view of the state of affairs of the Morning Star Community Services ("MSCS") as at 31 January 2012 and of its financial activities, changes in general and specific funds and cash flows of the MSCS for the year ended on that date; and

ii) at the date of this statement there are reasonable grounds to believe that the MSCS will be able to pay its debts as and when they fall due.

On behalf of the Management Committee,

TAN WEE HAN GERALD
President

NG TECK HUNG FRANCIS
Honorary Treasurer

Singapore, 16 April 2012

MORNING STAR COMMUNITY SERVICES
(UEN: T02SS0153L)
(IPC No. IPC000103)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MORNING STAR COMMUNITY SERVICES

Report on the Financial Statements

We have audited the accompanying financial statements of the Morning Star Community Services (the "MSCS"), which comprise the statement of financial position as at 31 January 2012, and the statement of financial activities, statement of changes in general and specific funds and statement of cash flows of the MSCS for the year then ended, and a summary of significant accounting policies and other explanatory notes of the MSCS as set out on pages 6 to 28.

Management's Responsibility for the Financial Statements

The Management Committee is responsible for the preparation of financial statements that give a true and fair view in accordance with the provision of the Charities Act, Cap. 37 (the "Act") and the Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair statement of financial activities and balance sheet and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Society's preparation of the financial statements that give a true and fair view 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 MSCS's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

MORNING STAR COMMUNITY SERVICES
(UEN: T02SS0153L)
(IPC No. IPC000103)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MORNING STAR COMMUNITY SERVICES

Opinion

In our opinion, the financial statements of the MSCS are properly drawn up in accordance with the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the MSCS as at 31 January 2012 and of its financial activities, changes in general and specific funds and cash flows of the MSCS for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the MSCS have been properly kept in accordance with the provisions of the Act, and the use of donation money received is in accordance with MSCS's objectives.

KRESTON DAVID YEUNG PAC
Public Accountants and
Certified Public Accountants

Singapore, 16 April 2012

MORNING STAR COMMUNITY SERVICES
(UEN: T02SS0153L)
(IPC No. IPC000103)

STATEMENT OF FINANCIAL POSITION
As at 31 January 2012

	Note	2012 S$	2011 S$
ASSETS			
Non-current asset			
Plant and equipment	3	41,927	33,940
Current assets			
Account receivables	4	41,424	29,118
Other receivables		12,984	15,293
Deposits and prepayments	5	5,962	4,194
Fixed deposits	6	1,830,000	1,730,000
Cash and bank balances		259,247	161,173
Total current assets		2,149,617	1,939,778
Total assets		2,191,544	1,973,718
FUNDS AND LIABILITIES			
Funds			
Restricted funds			
Hardship fund	7	40,034	40,000
Nova project fund	8	60,999	40,000
Advent fund	9	-	-
Play ground equipment fund	10	-	-
Building fund	11	-	-
South East Community Development Council (CDC) grant	12	2,796	5,592
Training and development fund	13	13,000	13,000
MCYS grant	14	13,684	-
		130,513	98,592
Unrestricted fund			
Accumulated fund		1,876,304	1,668,331
Total funds		2,006,817	1,766,923
Current liabilities			
Account payables		13,553	15,943
Other payables and accruals	15	165,252	190,852
Deferred services fee		5,922	-
Total current liabilities		184,727	206,795
Total funds and liabilities		2,191,544	1,973,718

The notes set out on pages 10 to 28 form an integral part of and should be read in conjunction with this set of financial statements.

MORNING STAR COMMUNITY SERVICES
(UEN: T02SS0153L)
(IPC No. IPC000103)

STATEMENT OF FINANCIAL ACTIVITIES
For the financial year ended 31 January 2012

	Note	Unrestricted Funds S$	Restricted Funds S$	2012 S$	2011 S$
Income					
Income from generated funds:					
Voluntary income					
Donations in cash	16	5,222	-	5,222	63,015
Other income	16	6,555	-	6,555	13,017
Grant received	16	347,452	115,204	462,656	683,095
Activities for generating funds					
Student care services		801,158	-	801,158	862,240
Investment income					
Interest income	16	12,700	-	12,700	24,401
		1,173,087	115,204	1,288,291	1,645,768
Income from charitable activities					
NOVA learning support		114,671	-	114,671	117,134
Family wellness programs		137,458	-	137,458	144,065
Social work services		23,270	-	23,270	85,513
		275,399	-	275,399	346,712
Total income		1,448,486	115,204	1,563,690	1,992,480
Expenditures					
Cost of generating funds					
Student care services		605,217	34,444	639,661	723,361
Resources expended on charitable activities					
NOVA learning support		131,712	39,001	170,713	210,139
Family wellness programs		288,882	-	288,882	293,571
Social work services		155,514	-	155,514	252,843
		576,108	39,001	615,109	756,553
Governance costs		69,026	-	69,026	99,590
Total expenditures		1,250,351	73,445	1,323,796	1,579,504
Net income	17	198,135	41,759	239,894	412,976
Total funds brought forward		1,668,331	98,592	1,766,923	1,403,111
Net movement in funds		9,838	(9,838)	-	(49,164)
Total funds carried forward		1,876,304	130,513	2,006,817	1,766,923

The notes set out on pages 10 to 28 form an integral part of and should be read in conjunction with this set of financial statements.

MORNING STAR COMMUNITY SERVICES
(UEN: T02SS0153L)
(IPC No. IPC 000103)

STATEMENT OF CHANGES IN GENERAL AND SPECIFIC FUNDS
For the financial year ended 31 January 2012

	Accumulated Fund S$	Hardship Fund S$	Nova Project Fund S$	Advent Fund S$	Play Ground Equipment Fund S$	Building Fund S$	South East CDC Grant S$	Training and Development Fund S$	MCYS Grant S$	Total Funds S$
Balance as at 01.02.2010	1,274,657	50,000	35,000	5,700	13,886	2,480	8,388	13,000	-	1,403,111
Net surplus/(deficit) for the year										
- Unrestricted funds	412,976	-	-	-	-	-	-	-	-	412,976
- Restricted funds	-	(18,489)	(14,125)	(16,550)	-	-	-	-	-	(49,164)
Funds transfer for the year	(19,302)	8,489	19,125	10,850	(13,886)	(2,480)	(2,796)	-	-	-
Balance as at 31.01.2011/01.02.2011	1,668,331	40,000	40,000	-	-	-	5,592	13,000	-	1,766,923
Net surplus/(deficit) for the year										
- Unrestricted funds	198,135	-	-	-	-	-	-	-	-	198,135
- Restricted funds	-	(34,444)	60,999	-	-	-	-	-	15,204	41,759
Funds transfer for the year	9,838	34,478	(40,000)	-	-	-	(2,796)	-	(1,520)	-
Balance as at 31.01.2012	1,876,304	40,034	60,999	-	-	-	2,796	13,000	13,684	2,006,817

The notes set out on pages 10 to 28 form an integral part of and should be read in conjunction with this set of financial statements.

MORNING STAR COMMUNITY SERVICES
(UEN: T02SS0153L)
(IPC No. IPC000103)

STATEMENT OF CASH FLOWS
For the financial year ended 31 January 2012

	Note	2012 S$	2011 S$
Cash flows from operating activities			
Net surplus for the year		198,135	412,976
Adjustments for: -			
Depreciation of plant and equipment		19,527	29,292
Interest income		(12,700)	(24,401)
Provision for unutilised leave		19,682	-
Operating surplus before working capital changes		224,644	417,867
Changes in working capital: -			
Increase in account and other receivables		(11,905)	(26,240)
(Decrease)/Increase in account and other payables		(41,750)	44,829
Cash generated from operations		170,989	436,456
Other specific funds		41,759	(49,164)
Net cash generated from operating activities		212,748	387,292
Cash flows from investing activities			
Purchase of plant and equipment		(27,514)	(26,390)
Interest received		12,840	14,119
Increase in fixed deposits (restricted)		(300,000)	-
Net cash used in investing activities		(314,674)	(12,271)
Net (decrease)/increase in cash and cash equivalents		(101,926)	375,021
Cash and cash equivalents at the beginning of the year		1,441,173	1,066,152
Cash and cash equivalents at the end of the year		1,339,247	1,441,173
Cash and cash equivalents comprise: -			
Fixed deposits	6	1,080,000	1,280,000
Cash and bank balances		259,247	161,173
		1,339,247	1,441,173

The notes set out on pages 10 to 28 form an integral part of and should be read in conjunction with this set of financial statement

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

1. GENERAL

Morning Star Community Services (the "MSCS") is registered in the Republic of Singapore under the Societies Act and the Charities Act. The principal activities of the MSCS are to provide student care services as well as facilities and activities and to improve and strengthen family life in Singapore.

The registered office of the MSCS is located at 4 Lorong Low Koon, Singapore 536450. The MSCS is domiciled in Singapore.

Under the MSCS, there are 3 other locations (2011:3) to perform student care services, namely:-

a. Primavera Centre located at Blk 95 #01-1415 Bedok North Ave 4 Singapore 460095;
b. Sengkang Centre located at Blk 261B, Sengkang East Way, #01-400, Singapore 542261; and
c. St Gabriel's Primary School located at 220 Lorong Chuan, Singapore 556742.

The financial statements of the MSCS for the year ended 31 January 2012 are authorised for issue in accordance with a resolution of the Management Committee on 16 April 2012.

The financial statements of the MSCS are expressed in Singapore dollar.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Preparation

The financial statements of the MSCS have been prepared in accordance with the historical cost convention, except as disclosed in the accounting policies below, and are drawn up in accordance with the Singapore Financial Reporting Standards ("FRS").

In the current financial year, the MSCS has adopted all the new and revised FRS and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual period beginning on or after 1 February, 2011. The adoptions of these new/revised FRSs and INT FRSs have no material effect on the financial statements.

b) Early Application

The Accounting Standards Council has issued the Charities Accounting Standard and made the various applicable financial reporting framework for the preparation and presentation by the financial statements of Charities for financial periods beginning on or after 1 July 2011. The MSCS has adopted the FRS before its effective date.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Significant Accounting Estimates and Judgements

The preparation of the financial statements in conformity with FRS requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on Management Committee's best knowledge of current events and actions, actual results may differ from those estimates.

The critical accounting estimates and assumptions used and areas involving a high degree of judgement are described below.

Critical assumptions used and accounting estimates in applying accounting policies

<u>Depreciation of plant and equipment</u>

Plant and equipment are depreciated on straight-line basis over their estimated useful lives. Management Committee estimated the useful lives of these plant and equipment to be within 1 to 10 years. The carrying amount of the MSCS's plant and equipment at 31 January 2012 was S$41,927. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values, if any, of these assets, therefore future depreciation charges could be revised.

Critical judgements made in applying accounting policies

In the process of applying the MSCS's accounting policies, the Management Committee had made the following judgement that have the most significant effect on the amounts recognised in the financial statements.

<u>Impairment of plant and equipment</u>

The MSCS assesses annually whether plant and equipment have any indication of impairment in accordance with the accounting policy. The recoverable amounts of plant and equipment have been determined based on value-in-use calculations. These calculations require the use of judgement and estimates.

<u>Useful lives of plant and equipment</u>

As described in Note 2(d), the MSCS reviews the estimated useful lives of plant and equipment at the end of each annual reporting period. The estimated useful lives reflect the Management Committee estimation of the periods that the MSCS intents to derive future economic benefits from the use of the MSCS's plant and equipment.

The carrying amount of plant and equipment at the end of reporting period are disclosed in Note 3 to the financial statements.

2. **SIGNIFICANT ACCOUNTING POLICIES** (Continued)

c) **Significant Accounting Estimates and Judgements** (Continued)

<u>Allowances account for credit losses</u>

Allowances account for credit losses of the MSCS is based on an evaluation of the collectability of receivables. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness, past collection history of these receivables and ongoing dealings with them. If the financial conditions of these receivables of the MSCS were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

d) **Plant and Equipment**

All items of plant and equipment are initially recorded at cost. The cost of an item of 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 MSCS and the cost of the item can be measured reliably.

Subsequent to recognition, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight-line method so as to write off the costs over the estimated useful lives of the plant and equipment as follows: -

Furniture & fittings	1 to 3 years
Office equipment	1 to 2 years
Motor vehicle	4 to 10 years
Renovation	5 years

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period and adjusted prospectively, if appropriate.

An item of 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 asset is included in the statement of financial activities in the year the asset is derecognised.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Financial Assets

Initial recognition and measurement

Financial assets are recognised on the statement of financial position when, and only when, the MSCS becomes a party to the contractual provisions of the financial instrument. The MSCS determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in case of financial assets not at fair value through statement of financial activities, directly attributable transaction costs.

Subsequent measurement

Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in statement of financial activities when the loans and receivables are derecognised or impaired, and through the amortisation process.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in statement of financial activities.

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date, i.e the date that the MSCS commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place concerned.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) **Impairment of Financial Assets**

The MSCS assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the MSCS first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the MSCS determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in statement of financial activities.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has incurred, the MSCS considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

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 is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in statement of financial activities.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) **Cash and Cash Equivalents**

Cash and cash equivalents are defined as cash in hand, cash at bank and fixed deposits which form part of the MSCS's cash management that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

h) **Financial Liabilities**

Initial recognition and measurement

Financial liabilities are recognised on the statement of financial position when, and only when, the company becomes a party to the contractual provisions of the financial instrument. The MSCS determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value, plus, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in statement of financial activities when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in statement of financial activities.

i) **Impairment of Non-Financial Assets**

The MSCS assesses at the end of each reporting period whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the MSCS makes an estimate of the asset's recoverable amount.

2. **SIGNIFICANT ACCOUNTING POLICIES** (Continued)

i) **Impairment of Non-Financial Assets** (Continued)

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. Impairment losses are recognised in the statement of financial activities in those expense categories consistent with the function of the impaired asset, except for assets that are previously revalued where the revaluation was taken to revaluation reserve. In this case, the impairment is also recognised in revaluation reserve up to the amount of any previous revaluation.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the MSCS estimates the asset's or cash generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in the statement of financial activities unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

j) **Income Recognition**

Income is recognised to the extent that it is probable that the economic benefits will flow to the MSCS and the revenue can be reliably measured. Income is measured at the fair value of consideration received or receivable.

Donations are recognised as and when received.

Services income is recognised when services are rendered.

Interest income is recognised using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Government Grants

A government grant is recognised when there is reasonable assurance that the conditions attaching to it will be complied with and the grant will be received.

Asset-related grants are deducted from the cost of acquisition of the asset to arrive at the carrying amount which is then depreciated in accordance with the accounting policy on plant and equipment and depreciation.

l) Key Management Personnel

Key management personnel of the MSCS are those having authority and responsibility for planning, directing and controlling the activities of the MSCS. Management Committee are considered as key management personnel.

m) Employee Benefits

Defined Contribution Plans

As required by law, the MSCS makes contributions to the state pension scheme, the Central Provident Fund (CPF). CPF contributions are recognised as compensation expense in the same period as the employment that gives rise to the contribution.

Employee Leave Entitlement

Employee entitlement to annual leave is recognised when it accrues to employees. An accrual is made for the estimated liability for leave as a result of services rendered by employees up to the end of the reporting period.

n) Provisions

Provisions are recognised when the MSCS has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at the end of the each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) Leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognised as an expense in the statement of financial activities on a straight-line basis over the lease term. Contingent rents are charged to statement of financial activities when incurred.

p) Contingencies

A contingent liability is:-

A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the MSCS; or

A present obligation that arises from past events but is not recognised because:

i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the MSCS.

Contingent liabilities and assets are not recognised on the statement of financial position of the MSCS, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be realiably determined.

q) Foreign Currencies

Functional and Presentation Currencies

Items included in the financial statements of the MSCS are measured using the currency of the primary economic environment in which the company operates ("the functional currency"). The financial statements of the MSCS are presented in Singapore dollar, which is the functional currency of the MSCS.

Transaction and balances

Monetary assets and liabilities in foreign currencies are translated into Singapore dollar at rates of exchange closely approximating those ruling at end of reporting period. Transactions on foreign currencies are converted at rates closely approximating those ruling at transaction dates. Exchange differences arising from such transactions are taken to the statement of financial activities.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

r) Specific Fund

Donations received from specific purposes are taken up in specific funds and transferred to the statement of financial activities when relevant expenditure is incurred.

3. PLANT AND EQUIPMENT

	Furniture & Fittings S$	Office Equipment S$	Motor Vehicle S$	Renovation S$	Total S$
Cost					
As at 01.02.2010	149,010	26,600	29,397	253,267	458,274
Addition	4,019	2,458	-	19,913	26,390
As at 31.01.2011/01.02.2011	153,029	29,058	29,397	273,180	484,664
Additions	10,764	10,640	-	6,110	27,514
As at 31.01.2012	163,793	39,698	29,397	279,290	512,178
Accumulated Depreciation					
As at 01.02.2010	131,485	26,600	24,747	238,600	421,432
Charge for the year	20,494	102	744	7,952	29,292
As at 31.01.2011/01.02.2011	151,979	26,702	25,491	246,552	450,724
Charge for the year	3,030	4,670	744	11,083	19,527
As at 31.01.2012	155,009	31,372	26,235	257,635	470,251
Net Book Value					
As at 31.01.2012	8,784	8,326	3,162	21,655	41,927
As at 31.01.2011	1,050	2,356	3,906	26,628	33,940

4. ACCOUNT RECEIVABLES

Account receivables are non-interest bearing and are generally on cash on delivery basis. Account receivables which are past due at the end of reporting period but not impaired amounted to S$41,424 (2011: S$29,118). The table below is an aging analysis of account receivables at the end of the period:-

	2012 S$	2011 S$
1 - 30 days' past due	35,130	13,425
31 - 60 days' past due	894	762
61 - 90 days' past due	3,604	10,035
> 90 days' past due	1,796	4,896
	41,424	29,118

5. DEPOSITS AND PREPAYMENTS

	2012 S$	2011 S$
Deposits	3,535	2,455
Prepayments	2,427	1,739
	5,962	4,194

6. FIXED DEPOSITS

	2012	2011
Fixed deposits mature within 3 months	1,080,000	1,280,000
Fixed deposits mature more than 3 months	750,000	450,000
	1,830,000	1,730,000

Fixed deposits earned interest at 0.35% to 0.95% (2011: 0.45% to 1.00%) per annum.

7. HARDSHIP FUND

The fund is set up for the purpose of providing financial assistance to families whose children are attending the centres' student care services and fee subsidy for family enhancement programmes.

	2012 S$	2011 S$
Balance at beginning of year	40,000	50,000
Add: Donation received from:-		
Caritas Singapore Community Council (CSCC)		
Grant transferred	34,478	8,489
	74,478	58,489
Less: Disbursement during the year	(34,444)	(18,489)
Balance at end of year	40,034	40,000

MORNING STAR COMMUNITY SERVICES
(UEN: T02SS0153L)
(IPC No. IPC000103)

8. NOVA PROJECT FUND

The fund is set up for the purpose of financing Mission Nova – the learning support programme for children with learning difficulties.

	2012	2011
	S$	S$
Balance at beginning of year	40,000	35,000
Add: CSCC Grant transferred	-	19,125
NCSS Grant	100,000	-
	140,000	54,125
Less: Disbursement during the year	(39,001)	(14,125)
Fund released to statement of financial activities during the year	(40,000)	-
Balance at end of year	60,999	40,000

9. ADVENT FUND

The Advent Fund is set up for the purpose of providing financial aid to the cases we serve under our Case Management Services (CMS).

	2012	2011
	S$	S$
Balance at beginning of year	-	5,700
Add: CSCC Grant transferred	-	10,850
	-	16,550
Less: Disbursement during the year	-	(16,550)
Balance at end of year	-	-

10. PLAY GROUND EQUIPMENT FUND

The Play Ground Equipment Fund is a one-off grant received from Lee Foundation for the capital expenditure of the playground equipment installed at our Hougang Centre. The fund will be allocated to income over the lives of the asset which is 3 years commencing from 1 December 2007.

	2012 S$	2011 S$
Balance at beginning of year	-	13,886
Fund released to statement of financial activities during the year	-	(13,886)
Balance at end of year	-	-

11. BUILDING FUND

The fund includes government subsidies received from Community Development Council for capital expenditure of Sengkang Centre. The fund will be allocated to income over the lives of the assets which is 5 years commencing from 1 February 2005.

	2012 S$	2011 S$
Balance at beginning of the year	-	2,480
Fund released to statement of financial activities during the year	-	(2,480)
Balance at end of the year	-	-

12. SOUTH EAST CDC GRANT

The South East CDC Grant is for the purpose of capital expenditure of student care centre at St. Gabriel's Primary School. The fund will be allocated to income fund over 5 years commencing from 1 February 2008.

	2012 S$	2011 S$
Balance at beginning of year	5,592	8,388
Fund released to statement of financial activities during the year	(2,796)	(2,796)
Balance at end of year	2,796	5,592

13. TRAINING AND DEVELOPMENT FUND

The fund is set up for the purpose of financing the sponsorship of approved courses for staff.

	2012 S$	2011 S$
Balance at beginning and end of year	13,000	13,000

14. MCYS GRANT

The MCYS grant is for the purpose of capital expenditure of student care centre at St. Gabriel's Primary School. The fund will be allocated to income over 5 years commencing from 1 August 2011.

	2012 S$	2011 S$
Fund received during the year	15,204	-
Fund released to statement of financial activities during the year	(1,520)	-
Balance at end of year	13,684	-

15. OTHER PAYABLES AND ACCRUALS

Other payables	105,697	106,535
Accruals	59,555	84,317
	165,252	190,852
Other payables consist of:-		
Assistance funds	-	700
Refundable CDC subsidy	32,160	32,160
Refundable deposits	69,564	67,084
Payment received in advance	3,973	6,591
	105,697	106,535

MORNING STAR COMMUNITY SERVICES
(UEN: T02SS0153L)
(IPC No. IPC000103)

NOTES TO THE FINANCIAL STATEMENTS – 31 JANUARY 2012

16. INCOMING RESOURCES

	2012	2011
Voluntary income comprises:-	S$	S$
Donations in cash		
-Tax-deductible donations	2,980	51,550
-Non-tax deductible donations	2,242	11,465
	5,222	63,015
Other income - Jobs credit	-	13,017
Grant received		
- CSCC grant	347,452	675,626
- NCSS grant	100,000	-
- MCYS grant	15,204	-
-Singapore Telecom Sponsorship Scheme (STSS) Subsidy	-	420
-VWOs - Charities Capability Fund grants	6,555	7,049
Investment income comprises:-		
Fixed deposit interest	12,700	24,401

17. NET INCOME

	2012	2011
Net income for the year is arrived at after charging:-		
Depreciation of plant and equipment	19,527	29,292
Bad debt written-off	3,679	1,289
Publicity and publication	451	92,059
Rental	68,679	73,642
Staff costs consist of:-		
- CPF contribution	112,124	124,652
- Staff salaries and other costs	864,418	1,028,065

18. CSCC GRANT

The fund is set up for the purpose of funding the programmes of the centre and as subsidy to the poor and needy. The fund can be used for expenditure on manpower and other operating expenditure for purpose of these programmes.

	2012 S$	2011 S$
Balance at beginning of year	-	-
Add: Grant received	347,452	675,626
	347,452	675,626
Less: Allocation of funds to:-		
Advent fund	-	(10,850)
Hardship fund	(34,478)	(8,489)
Nova project fund	-	(19,125)
Transferred to statement of financial activities	(312,974)	(637,162)
	-	-

19. TAXATION

The MSCS has been registered as a charity under the Charities Act and is exempted from income tax for the financial year under the provisions of the Income Tax Act Cap. 134.

20. ANNUAL REMUNERATION

The top 3 (2010: 3) highest paid staff with salary including remuneration is as follows:-

	No. of staff 2012	2011
Between S$50,000 and S$100,000	3	3

None of the Management Committee received any emoluments in respect of their services as committee member of the MSCS for both of the financial years.

None of the staff received annual remuneration exceeding S$100,000 for both of the financial years.

21. RESERVE POLICY

	2012 S$	2011 S$	% Increase/ (Decrease)
Unrestricted Funds (*Reserves)			
- Accumulated funds	1,876,304	1,668,331	12
Restricted Funds			
Hardship fund	40,034	40,000	-
Nova project fund	60,999	40,000	52
Advent fund	-	-	-
Playground equipment fund	-	-	-
Building fund	-	-	-
South East CDC Grant	2,796	5,592	(50)
Trading & development fund	13,000	13,000	-
MCYS grant	13,684	-	NA*
Total restricted funds	130,513	98,592	
Total funds	2,006,817	1,766,923	
Ratio of *reserves to annual operating expenditure (year)	1.50 : 1	1.05 : 1	

* NA: Not applicable

The reserves have been set aside by the Management Committee to provide financial stability and the means for the development of its principal activities. These reserves will be critical when donations dry up or the economy is at a downturn.

The Management Committee regularly review the amounts of reserves that are required to ensure that they are able to fulfill the continuing obligations.

22. COMMITMENTS

Rental charged in the statement of financial activities was S$68,679 (2011: S$73,642). None of the leases included contingent rental. Future minimum rentals under non-cancellable lease are as follows as the end of reporting period: -

	2012 S$	2011 S$
Within one year	3,240	1,998
After 1 year but within 5 years	4,860	333
	8,100	2,331

23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The MSCS does not use derivative and other instrument in its risk management activities. The main risks arising from the MSCS's financial instrument are credit risk, foreign currency risk, liquidity risk and interest risk. The Management Committee review and agree with the policies and control procedures to manage its exposure to financial risks.

Credit Risk

The MSCS has no significant concentrations of credit risk. Cash is placed with established financial institutions. The maximum to exposure risk is represented by the carrying amount of each financial assets in the statement of financial position.

Financial assets that are neither past due nor impaired

Account and other receivables that are neither past due nor impaired are creditworthy debtors. Cash and cash equivalents that are neither past due nor impaired are placed with financial institution with high rating.

Financial assets that are either past due and/or impaired

Information regarding financial assets that are past due but not impaired is disclosed in Note 4 to the financial statements.

Interest Rate Risk

The MSCS's exposure to market risk for changes in interest rates relates primarily to its holding of fixed deposits as disclosed in Note 6 to the financial statements. The MSCS's practice is to obtain favourable interest rates that are available to place its fixed deposits.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if SGD fixed deposit interest rates had been 60 (2011: 60) basis points higher/lower with all other variables held constant, the MSCS's net surplus would have been S$10,980 (2011: S$10,380) higher/lower.

Liquidity Risk

The MSCS monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the MSCS's operations and mitigate the effects of fluctuation in cash flows.

Foreign Currency Risk

The MSCS is not exposed to foreign currency risk as all its transactions are denominated in Singapore dollar.

24. CATEGORIES OF FINANCIAL INSTRUMENTS

The following table sets out the financial instruments as at the end of the reporting period:-

	2012 S$	2011 S$
Assets		
Financial assets		
Loan and receivables:-		
Account receivables	41,424	29,118
Other receivables	12,984	15,293
Deposits	3,535	2,455
Fixed deposits	1,830,000	1,730,000
Cash and cash equivalents	259,247	161,173
Total financial assets	2,147,190	1,938,039
Liabilities		
Financial liabilities		
At amortised cost:-		
Account payables	13,553	15,943
Other payables and accruals	165,252	190,852
Total financial liabilites	178,805	206,795

25. FAIR VALUES

The carrying amounts of financial assets and financial liabilities recorded in the financial statements approximate their fair values, determined in accordance with the accounting policies disclosed in Note 2 to the financial statements.

26. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Certain new accounting standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1 February 2012. The MSCS does not expect that adoption of these accounting standards or interpretations will have a material impact on the MSCS's financial statements.