

MORNING STAR COMMUNITY SERVICES
(UEN: T02SS0153L)
(Registered in the Republic of Singapore)

AUDITED FINANCIAL STATEMENTS AND
OTHER FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 JANUARY 2016

**MORNING STAR COMMUNITY SERVICES
(UEN: T02SS0153L)**

MANAGEMENT COMMITTEE

TAN WEE HAN GERALD

PRESIDENT

POON KIN MUN KELVIN

VICE-PRESIDENT

OW SOON SIAN ALAN

TREASURER

SIEW WENG LOON HENRY

SPIRITUAL DIRECTOR

KOH AH SAN MICHAEL

SECRETARY

TAY BONG HUA JEREMY

COMMITTEE MEMBER

CHRISTINA LIM

COMMITTEE MEMBER

YEO KIEN SWEE JOSEPH

COMMITTEE MEMBER

NG TECK HUNG FRANCIS

COMMITTEE MEMBER

ELIZABETH SIM

**COMMITTEE MEMBER
(till 31 December 2015)**

SR. CHRISTINE SANTHOU

**COMMITTEE MEMBER
(from January 2016)**

**MORNING STAR COMMUNITY SERVICES
(UEN: T02SS0153L)**

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 LIMITED
RHB BANK BERHAD
MAYBANK BANKING BERHAD
CIMB BERHAD**

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MORNING STAR COMMUNITY SERVICES
(UEN: T02SS0153L)

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 27 are drawn up so as to give a true and fair view of the financial position of the Morning Star Community Services ("MSCS") as at 31 January 2016 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
19 APR 2016


OW SOON SIAN ALAN
Honorary Treasurer



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MORNING STAR COMMUNITY SERVICES (UEN: T02SS0153L)

Report on the Financial Statements

We have audited the accompanying financial statements of Morning Star Community Services ("MSCS"), which comprise the statement of financial position as at 31 January 2016, and the statement of financial activities, statement of changes in general and specific funds, and statement of cash flows of MSCS for the year then ended, and a summary of significant accounting policies and other explanatory notes of MSCS as set out on pages 6 to 27.

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 MSCS'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 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.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
MORNING STAR COMMUNITY SERVICES (UEN: T02SS0153L)**

Opinion

In our opinion, the financial statements of 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 financial position of MSCS as at 31 January 2016 and of its financial activities, changes in general and specific funds and cash flows of 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 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
Chartered Accountants

Singapore, **19 APR 2016**

MORNING STAR COMMUNITY SERVICES
(UEN: T02SS0153L)

STATEMENT OF FINANCIAL POSITION
As at 31 January 2016

| | Note | 2016 S\$ | 2015 S\$ |
|------------------------------------|------|------------------|------------------|
| ASSETS | | | |
| Non-current asset | | | |
| Plant and equipment | 3 | 106,623 | 224,443 |
| Current assets | | | |
| Account receivables | 4 | 25,151 | 59,754 |
| Other receivables | | 52,561 | 22,435 |
| Deposits and prepayments | 5 | 13,851 | 18,072 |
| Fixed deposits | 6 | 2,840,100 | 2,267,045 |
| Cash and bank balances | | 365,761 | 114,208 |
| Total current assets | | 3,297,424 | 2,481,514 |
| Total assets | | 3,404,047 | 2,705,957 |
| FUNDS AND LIABILITIES | | | |
| Funds | | | |
| Restricted funds | | | |
| Hardship fund | 7 | 32,774 | 18,775 |
| Nova project fund | 8 | 142,090 | 164,187 |
| Training and development fund | 9 | 11,675 | 11,675 |
| MSF grant | 10 | 1,520 | 4,561 |
| Unrestricted fund | | 188,059 | 199,198 |
| Accumulated fund | | 2,857,744 | 2,171,575 |
| Total funds | | 3,045,803 | 2,370,773 |
| Non-current liability | | | |
| Finance lease payable | 11 | 10,946 | 15,051 |
| Current liabilities | | | |
| Account payables | | 44,185 | 40,208 |
| Other payables and accruals | 12 | 291,982 | 260,055 |
| Finance lease payable | 11 | 4,105 | 4,105 |
| Deferred services fee | | 7,026 | 15,765 |
| Total current liabilities | | 347,298 | 320,133 |
| Total liabilities | | 358,244 | 335,184 |
| Total funds and liabilities | | 3,404,047 | 2,705,957 |

The notes set out on pages 10 to 27 form an integral part of and should be read in conjunction with this set of financial statements.

MORNING STAR COMMUNITY SERVICES
(UEN: T02SS0153L)

STATEMENT OF FINANCIAL ACTIVITIES
For the financial year ended 31 January 2016

| | Note | Unrestricted Funds S\$ | Restricted Funds S\$ | 2016 S\$ | 2015 S\$ |
|---|------|------------------------------|----------------------------|------------------|------------------|
| Income | | | | | |
| Income from generated funds: | | | | | |
| Voluntary income | | | | | |
| Donations in cash | 13 | 8,583 | 85,654 | 94,237 | 79,249 |
| Other income | 13 | 82,147 | - | 82,147 | 40,289 |
| Grant received | 13 | 1,216,822 | - | 1,216,822 | 607,273 |
| Activities for generating funds | | | | | |
| Student care services | | 1,495,480 | - | 1,495,480 | 1,395,897 |
| Investment income | | | | | |
| Interest income | 13 | 33,986 | - | 33,986 | 20,720 |
| | | <u>2,837,018</u> | <u>85,654</u> | <u>2,922,672</u> | <u>2,143,428</u> |
| Income from charitable activities | | | | | |
| NOVA learning support | | 204,766 | - | 204,766 | 204,829 |
| Family wellness programs | | 306,020 | - | 306,020 | 225,454 |
| | | <u>510,786</u> | <u>-</u> | <u>510,786</u> | <u>430,283</u> |
| Total income | | <u>3,347,804</u> | <u>85,654</u> | <u>3,433,458</u> | <u>2,573,711</u> |
| Expenditures | | | | | |
| Cost of generating funds | | | | | |
| Student care services | | 1,683,273 | 10,561 | 1,693,834 | 1,425,168 |
| Other operating expenses | | 5,740 | - | 5,740 | 860 |
| | | <u>1,689,013</u> | <u>10,561</u> | <u>1,699,574</u> | <u>1,426,028</u> |
| Resources expended on charitable activities | | | | | |
| NOVA learning support | | 494,515 | 83,191 | 577,706 | 385,199 |
| Family wellness programs | | 432,974 | - | 432,974 | 398,927 |
| | | <u>927,489</u> | <u>83,191</u> | <u>1,010,680</u> | <u>784,126</u> |
| Governance costs | | 45,133 | 3,041 | 48,174 | 46,488 |
| Total expenditure | | <u>2,661,635</u> | <u>96,793</u> | <u>2,758,428</u> | <u>2,256,642</u> |
| Net surplus | 14 | 686,169 | (11,139) | 675,030 | 317,069 |
| Total funds brought forward | | <u>2,171,575</u> | <u>199,198</u> | <u>2,370,773</u> | <u>2,053,704</u> |
| Total funds carried forward | | <u>2,857,744</u> | <u>188,059</u> | <u>3,045,803</u> | <u>2,370,773</u> |

The notes set out on pages 10 to 27 form an integral part of and should be read in conjunction with this set of financial statements.

MORNING STAR COMMUNITY SERVICES
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STATEMENT OF CHANGES IN GENERAL AND SPECIFIC FUNDS
For the financial year ended 31 January 2016

| | Accumulated Fund S\$ | Hardship Fund S\$ | Nova Project Fund S\$ | Training and Development Fund S\$ | MSF Grant S\$ | Total Funds S\$ |
|-------------------------------------|----------------------------|-------------------------|--------------------------------|--|---------------------|-----------------------|
| Balance as at 01.02.2014 | 1,894,198 | 29,540 | 110,689 | 11,675 | 7,602 | 2,053,704 |
| Net surplus for the year | 277,377 | - | - | - | - | 277,377 |
| - Unrestricted funds | - | (10,765) | 53,498 | - | (3,041) | 39,692 |
| - Restricted funds | | | | | | |
| Balance as at 31.01.2015/01.02.2015 | 2,171,575 | 18,775 | 164,187 | 11,675 | 4,561 | 2,370,773 |
| Net surplus for the year | 686,169 | - | - | - | - | 686,169 |
| - Unrestricted funds | - | 13,999 | (22,097) | - | (3,041) | (11,139) |
| - Restricted funds | | | | | | |
| Balance as at 31.01.2016 | 2,857,744 | 32,774 | 142,090 | 11,675 | 1,520 | 3,045,803 |

The notes set out on pages 10 to 27 form an integral part of and should be read in conjunction with this set of financial statements.

MORNING STAR COMMUNITY SERVICES
(UEN: T02SS0153L)

STATEMENT OF CASH FLOWS
For the financial year ended 31 January 2016

| | Note | 2016 S\$ | 2015 S\$ |
|---|------|------------------|--------------------|
| Cash flows from operating activities | | | |
| Net surplus for the year | | 686,169 | 277,377 |
| Adjustments for: - | | | |
| Depreciation of plant and equipment | | 137,489 | 77,144 |
| Bad debts written off | | 8,130 | - |
| Interest income | | (33,986) | (20,720) |
| Finance lease interest | | 633 | 211 |
| Provision for unutilised leave | | 1,966 | 5,859 |
| Operating surplus before working capital changes | | 800,401 | 339,871 |
| Changes in working capital: - | | | |
| Decrease/(Increase) in account and other receivables | | 568 | (3,374) |
| Decrease in account and other payables | | 28,339 | 107,600 |
| Cash generated from operations | | 829,308 | 444,097 |
| (Decrease)/Increase in other specific funds | | (11,139) | 39,692 |
| Net cash generated from operating activities | | 818,169 | 483,789 |
| Cash flows from investing activities | | | |
| Purchase of plant and equipment | | (22,809) | (202,209) |
| Interest received | | 33,986 | 7,445 |
| Increase in fixed deposits | | (466,988) | (964,023) |
| Net cash used in investing activities | | (455,811) | (1,158,787) |
| Cash flows from financing activity | | | |
| Repayment of finance lease | | (4,738) | (1,579) |
| Net cash used in financing activity | | (4,738) | (1,579) |
| Net increase/(decrease) in cash and cash equivalents | | 357,620 | (676,577) |
| Cash and cash equivalents at the beginning of the year | | 811,141 | 1,487,718 |
| Cash and cash equivalents at the end of the year | | 1,168,761 | 811,141 |
| Cash and cash equivalents comprise: - | | | |
| Fixed deposits | 6 | 803,000 | 696,933 |
| Cash and bank balances | | 365,761 | 114,208 |
| | | 1,168,761 | 811,141 |

The notes set out on pages 10 to 27 form an integral part of and should be read in conjunction with this set of financial statement

MORNING STAR COMMUNITY SERVICES
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NOTES TO THE FINANCIAL STATEMENTS – 31 JANUARY 2016

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

1. GENERAL

Morning Star Community Services (“MSCS”) is domiciled and registered in the Republic of Singapore under the Societies Act and the Charities Act. The principal activities of MSCS are to provide student care services as well as activities to improve and strengthen family life in Singapore. It had been granted IPC status for the period from 1 August 2014 to 31 January 2017.

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

Under MSCS, there are 5 other locations (2015: 5) performing 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;
- c. St Gabriel’s Primary School Centre located at 220 Lorong Chuan, Singapore 556742;
- d. St Joseph’s Institution located at 3 Essex Road, Singapore 309331; and
- e. Bedok North Centre located at Blk 508, Bedok North Ave 3, #01-369, Singapore 460508.

The financial statements of MSCS for the year ended 31 January 2016 are authorised for issue in accordance with a resolution of the Management Committee on 19 April 2016.

The financial statements of MSCS are expressed in Singapore dollar.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Preparation

The financial statements of 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, 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, 2015. The adoptions of these new/revised FRSs and INT FRSs have no material effect on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS – 31 JANUARY 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) 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

Depreciation of plant and equipment

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 5 years. The carrying amount of MSCS's plant and equipment at 31 January 2016 was S\$106,623. 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 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.

Impairment of plant and equipment

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.

Useful lives of plant and equipment

As described in Note 2(c) to the financial statements, 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's estimation of the periods that MSCS intends to derive future economic benefits from the use of 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.

**MORNING STAR COMMUNITY SERVICES
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NOTES TO THE FINANCIAL STATEMENTS – 31 JANUARY 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Significant Accounting Estimates and Judgements (Continued)

Allowances account for credit losses

Allowances account for credit losses of 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 MSCS were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

c) 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 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 2 years |
| Office equipment | 1 to 2 years |
| Renovation | 3 to 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.

NOTES TO THE FINANCIAL STATEMENTS – 31 JANUARY 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) **Financial Assets**

Initial recognition and measurement

Financial assets are recognised on the statement of financial position when, and only when, MSCS becomes a party to the contractual provisions of the financial instrument. 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 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.

NOTES TO THE FINANCIAL STATEMENTS – 31 JANUARY 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) **Impairment of Financial Assets**

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, 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 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, 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.

NOTES TO THE FINANCIAL STATEMENTS – 31 JANUARY 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) **Cash and Cash Equivalents**

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

g) **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. 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.

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

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, MSCS makes an estimate of the asset's recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS – 31 JANUARY 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) **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, 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.

i) **Income Recognition**

Income is recognised to the extent that it is probable that the economic benefits will flow to 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.

Deferred services fee represent unearned service income for future period.

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NOTES TO THE FINANCIAL STATEMENTS – 31 JANUARY 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) 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.

k) Key Management Personnel

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

l) Employee Benefits

Defined Contribution Plans

As required by law, 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.

m) Provisions

Provisions are recognised when 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.

n) 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.

MORNING STAR COMMUNITY SERVICES
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NOTES TO THE FINANCIAL STATEMENTS – 31 JANUARY 2016

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) 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 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 MSCS.

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

p) Foreign Currencies

Functional and Presentation Currencies

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

q) 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.

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NOTES TO THE FINANCIAL STATEMENTS – 31 JANUARY 2016

3. PLANT AND EQUIPMENT

| | Furniture & Fittings S\$ | Office Equipment S\$ | Renovation S\$ | Total S\$ |
|-----------------------------|--------------------------------|----------------------------|-------------------|--------------|
| Cost | | | | |
| As at 01.02.2014 | 175,174 | 91,651 | 330,675 | 597,500 |
| Additions | 5,838 | 80,377 | 136,518 | 222,733 |
| Disposal | (13,108) | - | - | (13,108) |
| As at 31.01.2015/01.02.2015 | 167,904 | 172,028 | 467,193 | 807,125 |
| Additions | - | 16,744 | 6,065 | 22,809 |
| Write off | - | (1,164) | (3,140) | (4,304) |
| As at 31.01.2016 | 167,904 | 187,608 | 470,118 | 825,630 |
| Accumulated Depreciation | | | | |
| As at 01.02.2014 | 169,395 | 69,297 | 279,954 | 518,646 |
| Charge for the year | 10,046 | 41,169 | 25,929 | 77,144 |
| Disposal | (13,108) | - | - | (13,108) |
| As at 31.01.2015/01.02.2015 | 166,333 | 110,466 | 305,883 | 582,682 |
| Charge for the year | 1,571 | 70,979 | 64,939 | 137,489 |
| Written off | - | (1,164) | - | (1,164) |
| As at 31.01.2016 | 167,904 | 180,281 | 370,822 | 719,007 |
| Net Book Value | | | | |
| As at 31.01.2016 | - | 7,327 | 99,296 | 106,623 |
| As at 31.01.2015 | 1,571 | 61,562 | 161,310 | 224,443 |

The net book value of copier machine held under finance leases at the end of the reporting period was S\$NIL (2015: S\$13,683).

4. ACCOUNT RECEIVABLES

Account receivables are non-interest bearing and are generally on 7 to 30 days credit terms. Account receivables which are past due at the end of reporting period but not impaired amounted to S\$13,471 (2015: S\$45,134). The table below is an aging analysis of account receivables at the end of the period:-

| | 2016 S\$ | 2015 S\$ |
|------------------------|---------------|---------------|
| Not past due | 11,680 | 14,620 |
| 1 - 30 days' past due | 4,615 | 20,601 |
| 31 - 60 days' past due | 4,253 | 18,239 |
| 61 - 90 days' past due | 1,542 | 3,468 |
| > 90 days' past due | 3,061 | 2,826 |
| | <u>25,151</u> | <u>59,754</u> |

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NOTES TO THE FINANCIAL STATEMENTS – 31 JANUARY 2016

5. DEPOSITS AND PREPAYMENTS

| | 2016 S\$ | 2015 S\$ |
|-------------|---------------|---------------|
| Deposits | 6,740 | 8,390 |
| Prepayments | 7,111 | 9,682 |
| | <u>13,851</u> | <u>18,072</u> |

6. FIXED DEPOSITS

| | | |
|--|------------------|------------------|
| Fixed deposits mature within 3 months | 803,000 | 696,933 |
| Fixed deposits mature more than 3 months | <u>2,037,100</u> | <u>1,570,112</u> |
| | <u>2,840,100</u> | <u>2,267,045</u> |

Fixed deposits earned interest at 1.36% to 1.95% (2015: 0.90% to 1.22%) 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.

| | 2016 S\$ | 2015 S\$ |
|------------------------------------|-----------------|-----------------|
| Balance at beginning of year | 18,775 | 29,540 |
| Add: Donation received from:- | | |
| General public | <u>24,560</u> | <u>1,823</u> |
| | 43,335 | 31,363 |
| Less: Disbursement during the year | <u>(10,561)</u> | <u>(12,588)</u> |
| Balance at end of year | <u>32,774</u> | <u>18,775</u> |

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8. NOVA PROJECT FUND

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

| | 2016 S\$ | 2015 S\$ |
|------------------------------------|-----------------|-----------------|
| Balance at beginning of year | 164,187 | 110,689 |
| Add: Donations | 61,094 | 70,721 |
| | <u>225,281</u> | <u>181,410</u> |
| Less: Disbursement during the year | <u>(83,191)</u> | <u>(17,223)</u> |
| Balance at end of year | <u>142,090</u> | <u>164,187</u> |

9. TRAINING AND DEVELOPMENT FUND

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

| | 2016 S\$ | 2015 S\$ |
|------------------------------------|---------------|---------------|
| Balance at beginning of year | 11,675 | 11,675 |
| Less: Disbursement during the year | <u>-</u> | <u>-</u> |
| Balance at end of year | <u>11,675</u> | <u>11,675</u> |

10. MSF GRANT

The MSF 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.

| | 2016 S\$ | 2015 S\$ |
|--|----------------|----------------|
| Balance of beginning of year | 4,561 | 7,602 |
| Fund released to statement of financial activities during the year | <u>(3,041)</u> | <u>(3,041)</u> |
| Balance at end of year | <u>1,520</u> | <u>4,561</u> |

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11. FINANCE LEASE PAYABLES

| | Minimum Payments S\$ | 2016 Present Value of Payments S\$ | Minimum Payments S\$ | 2015 Present Value of Payments S\$ |
|---|----------------------------|--|----------------------------|--|
| Within one year | 4,738 | 4,105 | 4,738 | 4,105 |
| After one year but not more than five years | 12,634 | 10,946 | 17,373 | 15,051 |
| Total minimum lease payments | 17,372 | 15,051 | 22,111 | 19,156 |
| Less: Amount representing finance charge | (2,321) | - | (2,955) | - |
| Present value of minimum lease payments | 15,051 | 15,051 | 19,156 | 19,156 |

The effective hire purchase interest at 3.08% per annum.

12. OTHER PAYABLES AND ACCRUALS

| | 2016 S\$ | 2015 S\$ |
|-----------------------------|----------------|----------------|
| Other payables | 125,735 | 130,591 |
| Accruals | 166,247 | 129,464 |
| | <u>291,982</u> | <u>260,055</u> |
| Other payables consist of:- | | |
| Refundable deposits | <u>125,735</u> | <u>130,591</u> |

13. INCOMING RESOURCES

Voluntary income comprises:-

Donations in cash

- Tax-deductible donations

- Non-tax deductible donations

| | |
|---------------|---------------|
| 56,003 | 76,085 |
| 36,234 | 3,164 |
| <u>92,237</u> | <u>79,249</u> |

Donations in kind

- Non-tax deductible donations

| | |
|---------------|---------------|
| 2,000 | - |
| <u>94,237</u> | <u>79,249</u> |

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NOTES TO THE FINANCIAL STATEMENTS – 31 JANUARY 2016

13. INCOMING RESOURCES (Continued)

| | 2016 S\$ | 2015 S\$ |
|---|-------------|-------------|
| Other income | | |
| - Special employment credit | 82,020 | 39,376 |
| - Miscellaneous income | 127 | 913 |
| Grant received | | |
| - CSCC grant (Note 15) | 364,000 | 500,000 |
| - ETS Training grant | - | 4,723 |
| - SECDC grant | 3,041 | 3,040 |
| - Singapore Telecom Sponsorship Scheme (STSS) Subsidy | 960 | 780 |
| - Comchest Haze Fund grant | 1,000 | - |
| - NCSS - Care and Share Grant (Note 16) | 731,667 | 84,134 |
| - Tote board grant | 12,700 | 8,500 |
| - NECDC grant | 40,210 | 6,096 |
| - MSF Grant | 63,244 | - |
| | <hr/> | <hr/> |
| Investment income comprises:- | | |
| Fixed deposit interest | 33,986 | 20,720 |
| | <hr/> | <hr/> |

14. NET INCOME

| | | |
|---|-----------|-----------|
| Net surplus for the year is arrived at after charging:- | | |
| Depreciation of plant and equipment | 137,489 | 77,144 |
| Bad debt written-off | 8,130 | 4,513 |
| Rental | 89,365 | 86,248 |
| Staff costs consist of:- | | |
| - CPF contribution | 240,382 | 190,251 |
| - Staff salaries and other costs | 1,772,395 | 1,486,759 |
| | <hr/> | <hr/> |

15. CSCC GRANT

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

| | 2016 S\$ | 2015 S\$ |
|--|-------------|-------------|
| Balance at beginning of year | - | - |
| Add: Grant received (Note 13) | 364,000 | 500,000 |
| | <hr/> | <hr/> |
| | 364,000 | 500,000 |
| Less: Allocation of funds to:- | | |
| Transferred to statement of financial activities | (364,000) | (500,000) |
| | <hr/> | <hr/> |
| | - | - |

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NOTES TO THE FINANCIAL STATEMENTS – 31 JANUARY 2016

16. CARE AND SHARE GRANT (C & S)

The fund is set up for funding programmes/activities at the centre. The fund can be used for expenditure on manpower and other operating expenditure for purpose of these programmes.

| | 2016 S\$ | 2015 S\$ |
|-------------------------------|----------------|---------------|
| Balance at beginning of year | 84,134 | - |
| Add: Grant received (Note 13) | <u>731,667</u> | <u>84,134</u> |
| | <u>815,801</u> | <u>84,134</u> |

17. TAXATION

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.

18. ANNUAL REMUNERATION

The highest paid staff with remuneration is as follows:-

| | <u>No. of staff</u> | |
|----------------------------------|---------------------|----------|
| | 2016 | 2015 |
| Between S\$50,000 and S\$100,000 | <u>5</u> | <u>4</u> |

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

One of the staff received annual remuneration exceeding S\$100,000 for both of the financial years.

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NOTES TO THE FINANCIAL STATEMENTS – 31 JANUARY 2016

19. RESERVE POLICY

| | 2016 S\$ | 2015 S\$ | % Increase/ (Decrease) |
|---|------------------|------------------|---------------------------|
| Unrestricted Funds (*Reserves) | | | |
| - Accumulated funds | <u>2,857,744</u> | <u>2,171,575</u> | 32 |
| Restricted Funds | | | |
| Hardship fund | 32,774 | 18,775 | 74 |
| Nova project fund | 142,090 | 164,187 | (13) |
| Training & development fund | 11,675 | 11,675 | - |
| MSF grant | <u>1,520</u> | <u>4,561</u> | (67) |
| Total restricted funds | <u>188,059</u> | <u>199,198</u> | |
| Total funds | <u>3,045,803</u> | <u>2,370,773</u> | |
| Ratio of reserves to annual operating expenditure (year) | <u>1.10 : 1</u> | <u>1.05 : 1</u> | |

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 reviews the amount of reserves that are required to ensure that they are able to fulfill the continuing obligations.

20. COMMITMENTS

Rental charged in the statement of financial activities was S\$89,365 (2015: S\$86,248). None of the leases included contingent rental. Future minimum rentals under non-cancellable lease are as follows as at the end of reporting period: -

| | 2016 S\$ | 2015 S\$ |
|---------------------------------|---------------|----------------|
| Within one year | 70,800 | 76,800 |
| After 1 year but within 5 years | <u>2,400</u> | <u>73,200</u> |
| | <u>73,200</u> | <u>150,000</u> |

21. LOANS

During the year, no loans were given to any parties.

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NOTES TO THE FINANCIAL STATEMENTS – 31 JANUARY 2016

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

MSCS does not use derivative and other instrument in its risk management activities. The main risks arising from 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

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

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. 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 (2015: 60) basis points higher/lower with all other variables held constant, MSCS's net surplus would have been S\$17,000 (2015: S\$13,600) higher/lower.

Liquidity Risk

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

The maturity profile of MSCS's financial liabilities is within the next 12 months after the end of the reporting period.

Foreign Currency Risk

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

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NOTES TO THE FINANCIAL STATEMENTS – 31 JANUARY 2016

23. CATEGORIES OF FINANCIAL INSTRUMENTS

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

| | 2016 S\$ | 2015 S\$ |
|------------------------------|------------------|------------------|
| Assets | | |
| <u>Financial assets</u> | | |
| Loan and receivables:- | | |
| Account receivables | 25,151 | 59,754 |
| Other receivables | 52,561 | 22,435 |
| Deposits | 6,740 | 8,390 |
| Fixed deposits | 2,840,100 | 2,267,045 |
| Cash and cash equivalents | 365,761 | 114,208 |
| Total financial assets | <u>3,290,313</u> | <u>2,471,832</u> |
| Liabilities | | |
| <u>Financial liabilities</u> | | |
| At amortised cost:- | | |
| Account payables | 44,185 | 40,208 |
| Other payables and accruals | 291,982 | 260,055 |
| Total financial liabilities | <u>336,167</u> | <u>300,263</u> |

24. 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.

25. 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 2016. MSCS does not expect that adoption of these accounting standards or interpretations will have a material impact on MSCS's financial statements.