

MORNING STAR COMMUNITY SERVICES LTD.
(UEN: 201617675H)
(Incorporated in the Republic of Singapore)

**AUDITED FINANCIAL STATEMENTS AND
OTHER FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2020**

MORNING STAR COMMUNITY SERVICES LTD.
(UEN: 201617675H)

DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited financial statements of Morning Star Community Services Ltd. (the Company) for the year ended 31 December 2020.

1. OPINION OF THE DIRECTORS

In our opinion:-

- i) the accompanying financial statements together with the notes thereto are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2020 and the financial performance, changes in funds and cash flows of the Company for the financial year ended on that date; and
- ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. DIRECTORS

The directors in office at the date of this statement are:-

LIM CHRISTINA
YEO KIEN SWEE
POON KIN MUN KELVIN (PAN JIANWEN KELVIN)
TAY BONG HUA JEREMY
TAN WEE HAN GERALD
MICHAEL KOH AH SAN
TAN SAW WEI
MARIA ELIZABETH SULISTIO
YEE WENG WAI BERNARD

3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

The Company is a company limited by guarantee and has no share capital.

4. DIRECTORS' INTERESTS IN SHARES OF DEBENTURES

The Company is a company limited by guarantee.

There were no shares or debentures issued.

5. OPTIONS GRANTED, EXERCISED AND OUTSTANDING

There are no options granted, exercised and outstanding to take up unissued shares as the Company is limited by guarantee.

MORNING STAR COMMUNITY SERVICES LTD.
(UEN: 201617675H)

DIRECTORS' STATEMENT

6. AUDITOR

The auditor, Kreston David Yeung PAC, has expressed its willingness to accept re-appointment.

On behalf of the Board,



POON KIN MUN KELVIN
(PAN JIANWEN KELVIN)
Director

Singapore, **22 APR 2021**



TAN WEE HAN GERALD

Director



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORNING STAR COMMUNITY SERVICES LTD. (UEN: 201617675H)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Morning Star Community Services Ltd. (the Company), which comprise the statement of financial position of the Company as at 31 December 2020, and the statement of financial activities, statement of changes in general and specific funds and statement of cash flows of the Company 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 Companies Act, Chapter 50 (the Companies Act), the Charities Act, Chapter 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 Company as at 31 December 2020 and of the financial performance, changes in funds and cash flows of the Company 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 Company in accordance with the Accounting and Corporate Regulatory Authority (ACRA) 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 Directors' Statement [set out on pages 1 and 2] and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we do 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 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 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.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORNING STAR COMMUNITY SERVICES LTD. (UEN: 201617675H)

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of Companies Act, the Charities Act and Regulations and FRSs, 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 financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance comprises the directors. Their responsibilities include overseeing the Company's financial reporting process.

Auditor's 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MORNING STAR COMMUNITY SERVICES LTD. (UEN: 201617675H)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- 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 Company'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 Company 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required to be kept by the Company have been properly kept in accordance with the provisions of the Companies Act, and the Charities Act and Regulations.

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

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

KRESTON DAVID YEUNG PAC
Public Accountants and
Chartered Accountants

Singapore, 22 April 2021

KRESTON DAVID YEUNG PAC (UEN: 200717891W)

A public accounting corporation incorporated with limited liability and a member of **Kreston International**

128A Tanjong Pagar Road, Singapore 088535

Tel: 6223 7979 Fax: 6222 7979

MORNING STAR COMMUNITY SERVICES LTD.
(UEN: 201617675H)

STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Note	2020 S\$	2019 S\$
ASSETS			
Non-current assets			
Plant and equipment	3	392,440	565,656
Right-of-use assets	4	227,242	318,138
Total non-current assets		619,682	883,794
Current assets			
Account receivables	5	5,530	15,355
Other receivables	6	90,920	37,552
Deposits and prepayments	7	107,944	69,340
Fixed deposits	8	4,722,139	3,911,812
Cash and bank balances		693,760	339,956
Total current assets		5,620,293	4,374,015
Total assets		6,239,975	5,257,809
FUNDS AND LIABILITIES			
Funds			
Restricted funds			
ComChest Charity Support Fund	9	50,000	-
CareNights fund	10	-	-
Enhancements of Salesforce Platform	11	-	-
Family Support Fund (formerly known as Hardship Fund)	12	20,705	39,639
CDC Grant	13	-	-
Family Support Programme	14	242,726	9,584
NOVA Project Fund	15	83,401	83,401
President's Challenge	16	-	-
Training and Development Fund	17	-	-
Invictus Fund	18	-	-
Deferred Capital Grant	19	100,880	98,173
Total restricted funds		497,712	230,797
Unrestricted fund			
Caritas Fund	20	72,250	72,250
Accumulated Fund		5,020,502	4,117,895
Total funds		5,590,464	4,420,942
Non-current liabilities			
Lease liabilities	21	141,484	232,904
Current liabilities			
Account payables		29,451	150,909
Contract liabilities	22	31,246	-
Deferred grant income		106,755	-
Lease liabilities	21	91,420	89,165
Other payables and accruals	23	249,155	363,889
Total current liabilities		508,027	603,963
Total liabilities		649,511	836,867
Total funds and liabilities		6,239,975	5,257,809

The notes set out on pages 10 to 33 form an integral part of and should be read in conjunction with this set of financial statements.

MORNING STAR COMMUNITY SERVICES LTD.
(UEN: 201617675H)

STATEMENT OF FINANCIAL ACTIVITIES
For the financial year ended 31 December 2020

	Note	2020 S\$	2019 S\$
Incoming resources			
Income from generated funds:			
Voluntary income			
Donations in cash	24	321,441	150,903
Other income	24	227,818	57,984
Grant received	24	1,392,439	1,018,877
Activities for generating funds			
Student care services		1,336,936	1,506,101
Investment income			
Interest income	24	54,219	66,009
		<u>3,332,853</u>	<u>2,799,874</u>
Income from charitable activities:			
CareNights programme		74,882	158,672
Family wellness programme		182,933	413,568
NOVA learning support		99,198	316,253
		<u>357,013</u>	<u>888,493</u>
Total income		<u>3,689,866</u>	<u>3,688,367</u>
Resources expended			
Cost of generating funds:			
Student care services		<u>1,398,013</u>	<u>1,759,913</u>
Resources expended on charitable activities:			
CareNights programme		292,559	502,014
Family wellness programme		284,686	636,038
NOVA learning support		473,737	413,915
		<u>1,050,982</u>	<u>1,551,967</u>
Governance costs		<u>338,264</u>	<u>205,661</u>
Total expenditure		<u>2,787,259</u>	<u>3,517,541</u>
Net surplus in unrestricted funds		902,607	170,826
Net surplus in caritas fund		-	10,417
Net (deficit)/surplus in restricted funds			
ComChest Charity Support Fund	9	50,000	-
CareNights Fund	10	-	(94,308)
Enhancements of Salesforce Platform	11	-	-
Family Support Fund (formerly known as Hardship Fund)	12	(18,934)	11,563
CDC Grant	13	-	-
Family Support Programme	14	233,142	9,584
NOVA Project Fund	15	-	-
President's Challenge	16	-	(76,298)
Training and Development Fund	17	-	(11,675)
Invictus Fund	18	-	-
Deferred Capital Grant	19	2,707	(99,871)
		<u>266,915</u>	<u>(261,005)</u>
Total surplus/(deficit) for the year	24	<u>1,169,522</u>	<u>(79,762)</u>

The notes set out on pages 10 to 33 form an integral part of and should be read in conjunction with this set of financial statements.

MORNING STAR COMMUNITY SERVICES LTD.
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STATEMENT OF CHANGES IN GENERAL AND SPECIFIC FUNDS
For the financial year ended 31 December 2020

	<---General fund--->		<-----Restricted fund----->								
	Accumulated	Caritas	ComChest	CareNights	Family	Family	NOVA	President's	Training and	Deferred	Total
	Fund	Fund	Charity	Fund	Support	Support	Project	Challenge	Development	Capital	Funds
	S\$	S\$	Support Fund	S\$	Programme	Fund	Fund	S\$	Fund	Grant	S\$
Balance as at 01.01.2019	3,895,378	61,833	-	145,999	-	28,076	83,401	76,298	11,675	198,044	4,500,704
Net surplus/(deficit) for the year	170,826	10,417	-	(94,308)	9,584	11,563	-	(76,298)	(11,675)	(99,871)	(79,762)
Transfer of funds	51,691	-	-	(51,691)	-	-	-	-	-	-	-
Balance as at 31.12.2019/01.01.2020	4,117,895	72,250	-	-	9,584	39,639	83,401	-	-	98,173	4,420,942
Net surplus/(deficit) for the year	902,607	-	50,000	-	233,142	(18,934)	-	-	-	2,707	1,169,522
Balance as at 31.12.2020	5,020,502	72,250	50,000	-	242,726	20,705	83,401	-	-	100,880	5,590,464

The notes set out on pages 10 to 33 form an integral part of and should be read in conjunction with this set of financial statements.

MORNING STAR COMMUNITY SERVICES LTD.
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STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2020

	2020 S\$	2019 S\$
Cash flows from operating activities		
Net surplus/(deficit) for the year	1,169,522	(79,762)
Adjustments for:-		
Bad debts written off	11,901	-
Depreciation of plant and equipment	212,842	112,112
Depreciation of right-of-use assets	90,896	90,897
Interest income	(54,219)	(66,009)
Finance lease interest	-	475
Interest expense	6,835	9,034
Operating surplus before working capital changes	1,437,777	66,747
Changes in working capital:-		
(Increase)/Decrease in account and other receivables	(113,707)	85,502
(Decrease)/Increase in trade and other payables	(236,192)	33,291
Increase/(Decrease) in contract liabilities and deferred grant income	138,001	(26,873)
Net cash generated from operating activities	1,225,879	158,667
Cash flows from investing activities		
Purchase of plant and equipment	(39,626)	(401,371)
Interest received	73,878	59,012
(Increase)/Decrease in fixed deposits	(810,262)	520,000
Net cash (used in)/generated from investing activities	(776,010)	177,641
Cash flows from financing activities		
Repayment of principal portion of lease liabilities	(89,165)	(86,966)
Interest paid	(6,835)	(9,034)
Repayment of finance lease	-	(3,554)
Net cash used in financing activities	(96,000)	(99,554)
Net increase in cash and cash equivalents	353,869	236,754
Cash and cash equivalents at the beginning of year	640,123	403,369
Cash and cash equivalents at the end of year	993,992	640,123
Cash and cash equivalents comprise:-		
Cash in hand	1,412	1,491
Cash at bank	692,348	338,465
Short-term deposits within 3 months (Note 8)	300,232	300,167
	993,992	640,123

The notes set out on pages 10 to 33 form an integral part of and should be read in conjunction with this set of financial statements.

MORNING STAR COMMUNITY SERVICES LTD.
(UEN: 201617675H)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2020

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

1. GENERAL

The Company is incorporated as a private company limited by guarantee under the Companies Act, Chapter 50 and domiciled in the Republic of Singapore.

The Company has been registered as a charity under the Charities Act, Chapter 37 with effect from 31 August 2016.

The principal activities of the Company are to provide student care services as well as activities to improve and strengthen family life in Singapore. It had been granted IPC status since 1 October 2016 and renewed for the period from 1 July 2020 to 30 June 2022.

The registered office of the Company is located at No. 25 Lorong 33 Geylang, #04-01 Pu Tian Building, Singapore 387985.

Under the Company, there are 10 locations (2019: 10), namely:-

- a. Hougang Centre located at 4 Lorong Low Koon, Singapore 536450;
- b. Primavera Centre located at Blk 95 Bedok North Ave 4, #01-1415, Singapore 460095;
- c. Bedok North Centre located at Blk 508 Bedok North Ave 3, #01-369, Singapore 460508;
- d. Sengkang Centre located at Blk 261B Sengkang East Way, #01-400, Singapore 542261;
- e. St. Gabriel's Primary School Centre located at 220 Lorong Chuan, Singapore 556742;
- f. St. Joseph's Institution Junior Centre located at 3 Essex Road, Singapore 309331;
- g. Opera Estate Primary School Centre located at 48 Fidelio Street, Singapore 458436;
- h. Training Centre located at Blk 323B Sengkang East Way, #01-553, Singapore 542323;
- i. Family Wellness Centre located at Blk 323A Sengkang East Way, #01-545, Singapore 541323; and
- j. Monfort Junior School Centre located at 52 Hougang Ave 8, Singapore 538786. (new centre)

Opera Estate Primary School NOVA Lab was closed during the year.

Each member of the Company has undertaken to contribute such amounts not exceeding S\$1 to the assets of the Company in the event the Company is wound up and the monies are required for payment of the liabilities of the Company. The Company has 7 members at the end of the reporting period.

The financial statements of the Company for the year ended 31 December 2020 are authorised for issue in accordance with a resolution of the directors on 22 April 2021.

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

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES

a) **Basis of Preparation**

The financial statements of Company 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, Company 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 January 2020. The adoptions of these new/revised FRSs and INT FRSs have no material effect on the financial statements.

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’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 estimated the useful lives of these plant and equipment to be within 1 to 5 years. 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 Company’s accounting policies, the management had made the following judgement that have the most significant effect on the amounts recognised in the financial statements.

Impairment of plant and equipment

The management 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.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Significant Accounting Estimates and Judgements (Continued)

Useful lives of plant and equipment

As described in Note 2(c) to the financial statements, the Company reviews the estimated useful lives of plant and equipment at the end of each annual reporting period. The estimated useful lives reflect the management's estimation of the periods that the Company intends to derive future economic benefits from the use of the 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.

Allowance for expected credit losses

The Company uses provision matrix to calculate the expected credit losses (ECLs) for financial assets. The amount of ECLs are estimated based on historical credit loss experience with forward-looking information. At the end of each reporting period, historical loss information is updated and changes in the forward-looking estimates are analysed. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

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 the Company 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 and fittings	1 to 2 years
Office equipment	1 to 5 years
Renovation	1 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.

MORNING STAR COMMUNITY SERVICES LTD.
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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Plant and Equipment (Continued)

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.

d) Financial Instruments

i) Financial Assets

Initial recognition and measurement

Financial assets 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.

When financial assets are recognised initially, they are measured at fair value, plus, transaction costs that are directly attributable to the acquisition of the financial asset.

Trade receivables are measured at the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods and services to a customer, excluding amount collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

Subsequent measurement of debt instrument depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company only has debt instruments at amortised cost.

Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measure at amortised cost using the effective interest method, less impairment. Gains or losses are recognised in statement of financial activities when the assets are derecognised or impaired, and through 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.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Financial Instruments (Continued)

ii) 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 Company determines the classification of its financial liabilities at initial recognition.

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

Subsequent measurement

After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest 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 recognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in statement of financial activities.

e) Impairment of Financial Assets

The Company recognises an allowance for expected credit losses (ECL) for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held of other credit enhancement that are integral to the contractual term.

Financial assets carried at amortised cost

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-months ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Impairment of Financial Assets (Continued)

Financial assets carried at amortised cost (Continued)

For trade and other receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at the end of each reporting period. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

f) Cash and Cash Equivalents

Cash and cash equivalents are defined as cash in hand, cash at bank and short-term (mature within 3 months) fixed deposits which form part of the Company's cash management that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

g) Impairment of Non-Financial Assets

The Company 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 Company makes an estimate of the asset's recoverable amount.

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.

Impairment losses are recognised in the statement of financial activities in those expense categories consistent with the function of the impaired asset.

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.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Income Recognition

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Company satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

Donations are recognised when monies are received or pledged and collection is reasonably certain.

Student care services income is recognised over the period in which the services are rendered.

Interest income is recognised using the effective interest method.

i) Government Grants

Grants for the purchase of depreciable assets are taken to the deferred grant account at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. The deferred grant is recognised in the statement of financial activities over the period necessary to match the depreciation of the assets purchased with the related grant. Grants for operating expenses are recognised in the statement of financial activities over the period necessary to match them on a systematic basis to the costs that it was intended to compensate.

j) Key Management Personnel

Key management personnel of the Company are those having authority and responsibility for planning, directing and controlling the activities of the Company. The directors are considered as key management personnel.

k) Employee Benefits

Defined Contribution Plans

As required by law, the Company 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.

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Employee Benefits (Continued)

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.

l) Provisions

Provisions are recognised when the Company 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 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.

m) Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liability representing the obligations to make lease payments and right-of-use assets representing the right to use the underlying leased asset.

Right-of-use asset

The Company recognises right-of-use asset at the initial application of FRS116 or at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use asset are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liability. The cost of right-of-use asset includes the amount of lease liability recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use asset is depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the asset.

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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) Leases (Continued)

As lessee (Continued)

Right-of-use asset (Continued)

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use asset is also subject to impairment. The accounting policy for impairment is disclosed in Note 2(g) to the financial statements.

The Company's right-of-use assets is disclosed Note 4 to the financial statements.

Lease liabilities

At the commencement date of the lease, the Company recognises lease liability measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company's lease liability is disclosed in Note 21 to the financial statements.

n) 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 Company; or

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) **Contingencies** (Continued)

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 Company.

Contingent liabilities and assets are not recognised on the statement of financial position of the Company.

o) **Foreign Currencies**

Functional and Presentation Currencies

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

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 in 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.

p) **Funds**

Unrestricted funds are available for use at the discretion of the management in furtherance of the general objectives of the Company.

Restricted funds are subject to restrictions on their expenditure imposed by the donor or through the terms of the fund raised.

Income and expenditure relating to specific or designated funds are accounted for directly in the fund accounts to which they related.

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2020

3. PLANT AND EQUIPMENT

	Furniture and Fittings S\$	Office Equipment S\$	Renovation S\$	Total S\$
Cost				
As at 01.01.2019	164,543	215,666	748,472	1,128,681
Additions	1,500	18,060	381,811	401,371
Written off	(20,340)	(12,129)	(240,002)	(272,471)
As at 31.12.2019/01.01.2020	145,703	221,597	890,281	1,257,581
Additions	-	31,576	8,050	39,626
As at 31.12.2020	145,703	253,173	898,331	1,297,207
Accumulated Depreciation				
As at 01.01.2019	154,953	196,439	500,892	852,284
Charge for the year	6,706	23,736	81,670	112,112
Written off	(20,340)	(12,129)	(240,002)	(272,471)
As at 31.12.2019/01.01.2020	141,319	208,046	342,560	691,925
Charge for the year	3,350	15,526	193,966	212,842
As at 31.12.2020	144,669	223,572	536,526	904,767
Net book value				
As at 31.12.2020	1,034	29,601	361,805	392,440
As at 31.12.2019	4,384	13,551	547,721	565,656

Net depreciation charged to statement of financial activities is:-

	2020 S\$	2019 S\$
Depreciation for the year	212,842	112,112
Amortisation of deferred capital grants	(163,185)	(82,369)
Net depreciation of plant and equipment	49,657	29,743

4. RIGHT-OF-USE ASSETS

Represented by right-of-use of:

- Office premises	409,035	409,035
Less: Accumulated Depreciation		
At beginning of year	90,897	-
Addition during the year	90,896	90,897
At end of year	(181,793)	(90,897)
	227,242	318,138

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2020

5. ACCOUNT RECEIVABLES

Trade receivables are non-interest bearing and are generally on 7 to 30 days credit terms. Trade receivables (exclude over payments) which are past due at the end of reporting period but not impaired amounted to S\$2,961 (2019: S\$9,245). The table below is an aging analysis of account receivables at the end of the period:-

	2020 S\$	2019 S\$
Not past due	6,626	9,046
Past due:-		
1 - 30 days	868	(419)
31 - 60 days	(436)	(1,963)
61 - 90 days	(3,621)	(554)
> 90 days	2,093	9,245
	<u>5,530</u>	<u>15,355</u>

6. OTHER RECEIVABLES

Subsidies receivable	(944)	3,431
Interest receivable	11,392	31,051
Grant receivable - JSS	66,906	-
Other receivable	13,566	3,070
	<u>90,920</u>	<u>37,552</u>

The Jobs Support Scheme (JSS) is government assistance intended to provide wage support up to 17 months to entities who retain their local employees during the period of economic uncertainty. The Company's operation was significantly impacted from April 2020, following the circuit-breaker measures which took effect on 7 April 2020. As a result, the Company will recognise the grant income from April 2020 till August 2021.

The grant receivable – JSS of S\$66,906 represents 4th payout of JSS for wage support from September to December 2020 and receivable in March 2021. JSS grant income of S\$536,553 has been recognised during the financial year.

7. DEPOSITS AND PREPAYMENTS

	2020 S\$	2019 S\$
Deposits	52,150	54,040
Prepayments	55,794	15,300
	<u>107,944</u>	<u>69,340</u>

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2020

8. FIXED DEPOSITS

Short-term deposits are made for varying periods of between one month and twelve months, depending on the immediate cash requirements of the management, and earn interests range from 0.275% to 1% (2019: 1.0% to 2.05%) per annum.

	2020 S\$	2019 S\$
Short-term deposits within 3 months	300,232	300,167
Short-term deposits greater than 3 months	4,421,907	3,611,645
	<u>4,722,139</u>	<u>3,911,812</u>

9. COMCHEST CHARITY SUPPORT FUND

This fund is set up for the project to develop a web application to reach out to parents and provide 12-hours training for volunteers with the CareNights programme and develop an online e-learning course for volunteers who are unable to attend the weekend training sessions.

	2020 S\$	2019 S\$
Balance at beginning of year	-	-
Add: Grant received	50,000	-
Less: Expenditure	-	-
Balance at end of year	<u>50,000</u>	<u>-</u>

10. CARENIGHTS FUND

This fund is set up for the purpose of financing CareNights programme, which provides night care for less privileged children aged 7 – 14 to offer their stressed parents an opportunity for caregiving respite or a chance to improve their earning capacity by taking night classes/upgrading courses.

	2020 S\$	2019 S\$
Balance at beginning of year	-	145,999
Less: Refund to Temasek Fund	-	(94,308)
Less: Transfer to General Fund	-	(51,691)
Balance at end of year	<u>-</u>	<u>-</u>

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2020

11. ENHANCEMENTS OF SALESFORCE PLATFORM

The fund is set up for the purpose of enhancing the salesforce platform.

	2020 S\$	2019 S\$
Balance at beginning of year	-	-
Add: Grant received	14,400	-
Less: Expenditure	<u>(14,400)</u>	<u>-</u>
Balance at end of year	<u>-</u>	<u>-</u>

12. FAMILY SUPPORT FUND (FORMERLY KNOWN AS HARDSHIP FUND)

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

	2020 S\$	2019 S\$
Balance at beginning of year	39,639	28,076
Add: Transfer from training and development fund (Note 17)	<u>-</u>	<u>11,675</u>
	39,639	39,751
Less: Expenditure	<u>(18,934)</u>	<u>(112)</u>
Balance at end of year	<u>20,705</u>	<u>39,639</u>

13. CDC GRANT

This fund is set up for the purpose of increasing art access for beneficiaries within the social service sector.

	2020 S\$	2019 S\$
Balance at beginning of year	-	-
Add: Grant received	<u>25,946</u>	<u>10,950</u>
	25,946	10,950
Less: Expenditure	<u>(25,946)</u>	<u>(10,950)</u>
Balance at end of year	<u>-</u>	<u>-</u>

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2020

14. FAMILY SUPPORT PROGRAMME

The fund is set up for the purpose of operating the Parenting Support Programme (PSP).

	2020 S\$	2019 S\$
Balance at beginning of year	9,584	-
Add: Grant received	565,780	62,961
	575,364	62,961
Less: Expenditure	(332,638)	(53,377)
Balance at end of year	242,726	9,584

15. 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.

	2020 S\$	2019 S\$
Balance at beginning of year	83,401	83,401
Add: Grant received	127,123	119,050
	210,524	202,451
Less: Expenditure	(127,123)	(119,050)
Balance at end of year	83,401	83,401

16. PRESIDENT'S CHALLENGE

This fund is set up for the purpose of financing the Company's CareNights @ Morningstar Programme and Manpower cost of one fundraising manager (2019: one case manager and one education psychologist). This programme aims to develop learning skills of the children in meeting the requirements of schools, studies and curriculum.

	2020 S\$	2019 S\$
Balance at beginning of year	-	76,298
Add: Grant received	162,459	-
	162,459	76,298
Less: Expenditure	(162,459)	(76,298)
Balance at end of year	-	-

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2020

17. TRAINING AND DEVELOPMENT FUND

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

	2020 S\$	2019 S\$
Balance at beginning of year	-	11,675
Transfer to Hardship fund (Note 12)	-	(11,675)
Balance at end of year	-	-

18. INVICTUS FUND

The fund is set up for purchasing of computer for the purpose of safe delivery of services and staff wellbeing.

	2020 S\$	2019 S\$
Balance at beginning of year	-	-
Add: Grant received	50,000	-
Less: Transfer to deferred capital grants (Note 19)	(26,350)	-
Less: Expenditure	(23,650)	-
Balance at end of year	-	-

19. DEFERRED CAPITAL GRANTS

The grants were given to fund the purchase of property, plant and equipment subject to the terms and conditions as prescribed in the agreements. Deferred grants are recognised as income in the manner as per Note 2(i).

	2020 S\$	2019 S\$
Balance at beginning of the year	98,173	198,044
Add: Transfer from Invictus Fund (Note 18)	26,350	-
Add: Grant received	143,140	-
	267,663	198,044
Less: Amortisation	(166,783)	(99,871)
Balance at end of the year	100,880	98,173

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2020

20. CARITAS FUND

The Caritas Fund, a grant provided by Caritas Singapore Community Limited, is set up for the purpose of funding the programmes of the Company. The fund can be used for expenditure on manpower and other operating expenditure for purpose of these programmes.

	2020 S\$	2019 S\$
Balance at beginning of year	72,250	61,833
Add: Grant received	867,000	867,000
	939,250	928,833
Less: Amortisation	(867,000)	(856,583)
Balance at end of year	72,250	72,250

21. LEASE LIABILITY

The Company as a lessee

The Company has a lease contract for its office premises. The Company's obligations under this lease are secured by the lessor's title to the leased asset. The Company is restricted from assigning and subleasing its leased asset.

(a) Lease liability

The carrying amounts of lease liability and the movements during the year are as below:-

	1 January 2020 S\$	Cash flows S\$	Non-cash changes Accretion of Interest S\$	Others S\$	31 December 2020 S\$
Lease liability:-					
- Current	89,165	(96,000)	6,835	91,420	91,420
- Non-current	232,904	-	-	(91,420)	141,484
	322,069	(96,000)	6,835	-	232,904

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2020

21. LEASE LIABILITY (Continued)

The Company as a lessee (Continued)

(b) Amount recognised in statement of financial activities

	2020	2019
	S\$	S\$
Depreciation of right-of-use assets	90,896	90,897
Interest expense on lease liability	6,835	9,034
Lease expense not capitalised in lease liability:		
- Expense relating to leases of short-term lease (included in expenses)	85,425	84,250
Total amount recognised in profit or loss	<u>183,156</u>	<u>184,181</u>

(c) Total cash outflows

The Company had total cash outflows for leases of S\$181,425 (2019: S\$180,250).

22. CONTRACT LIABILITIES

	2020	2019
	S\$	S\$
Contract liabilities	<u>31,246</u>	<u>-</u>

Contract liabilities represent unearned student fees of future period.

The aggregate amount of price allocated to the unsatisfied (or partially unsatisfied) performances obligations as at 31 December 2020 is S\$31,246. The company expects to recognise S\$31,246 as revenue relating to the transaction price allocated to the unsatisfied (or partially unsatisfied) performance obligation as at 31 December 2020 in the financial year 2021.

23. OTHER PAYABLES AND ACCRUALS

	2020	2019
	S\$	S\$
Other payables	243,155	324,021
Accruals	<u>6,000</u>	<u>39,868</u>
	<u>249,155</u>	<u>363,889</u>
Other payables consist of:-		
Refundable deposits	<u>119,937</u>	<u>124,802</u>

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2020

24. INCOMING RESOURCES

	2020	2019
	S\$	S\$
Voluntary income comprises:-		
Donations in cash		
- Tax-deductible donations	267,357	60,109
- Non-tax deductible donations	54,084	90,794
	<u>321,441</u>	<u>150,903</u>
Other income		
- JSS Grant income	113,941	-
- Wage credit scheme	85,789	45,605
- CPF - Child care leave	1,345	3,110
- ETS - Training grant	-	-
- Temporary employment credit	-	-
- Special employment credit	10,177	8,780
- Foreign Workers Rebate	3,000	-
- SAF imprest	-	489
-Government-Paid Maternity Leave	13,566	-
	<u>227,818</u>	<u>57,984</u>
Grant received		
-Training grant	510	-
- BCF	322,167	-
- VCF ICT Grant	-	2,256
- NCSS grant	192,662	152,108
- Oscar@SG Fund	10,100	-
- Absentee payroll and WDA grant	-	7,930
Amortisation		
- Caritas grant (Note 20)	867,000	856,583
	<u>1,392,439</u>	<u>1,018,877</u>

Bicentennial Community Fund (BCF) is an initiative that provides dollar-for-dollar matching for cash donations of IPC for the qualifying period from 1 April 2019 to 31 March 2020 (extended to 31 December 2020). The BCF is provided up to a cap of S\$400,000 per IPC. The BCF supports the SG Cares movement to build a caring & inclusive home for all and it is non-restricted fund in nature. The company recognised the fund received of S\$322,167 as income during the financial year.

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2020

24. INCOMING RESOURCES (Continued)

	2020	2019
	S\$	S\$
Interest income comprises:-		
Fixed deposit interest	54,218	66,008
Interest income	1	1
	<u>54,219</u>	<u>66,009</u>

25. TOTAL SURPLUS/(DEFICIT)

Total surplus/(deficit) for the year is arrived at after charging/(crediting):-

Bad debts recovery	(145)	-
Bad debts written off	11,901	-
Depreciation of plant and equipment	212,842	112,112
Depreciation of right-of-use assets	90,896	90,897
GST input tax disallowed	21,489	33,612
Finance lease interest	-	475
Interest expense	6,835	9,034
Rental	85,425	84,250
Staff costs consist of:-		
- CPF contribution	354,522	357,693
- Staff salaries and other costs	<u>2,433,483</u>	<u>2,497,957</u>

26. TAXATION

The Company 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.

27. ANNUAL REMUNERATION AND STAFF COSTS

- i) The below disclosure represents remuneration bands for staff with annual remuneration above S\$50,000:-

	<u>No. of staff</u>	
	2020	2019
Between S\$50,000 and S\$150,000	<u>9</u>	<u>9</u>

None of the directors received any emoluments in respect of their services for both of the financial years.

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2020

27. ANNUAL REMUNERATION AND STAFF COSTS (Continued)

ii) Staff costs are charged and included in:-

	2020	2019
	S\$	S\$
<u>Unrestricted - Accumulated Fund</u>		
Salaries and related costs	1,093,154	1,532,866
Employer's contribution to CPF	304,712	239,690
Other short-term benefits	40,851	66,657
	<u>1,438,717</u>	<u>1,839,213</u>
 <u>Restricted - President's Challenge</u>		
Salaries and related costs	94,302	76,298
Employer's contribution to CPF	5,594	-
Other short-term benefits	1,402	-
	<u>101,298</u>	<u>76,298</u>
 <u>Restricted - NOVA Project Fund</u>		
- Salaries and related cost	127,123	57,038
- Employer's contribution to CPF	-	56,351
- Other short-term benefits	-	5,661
	<u>127,123</u>	<u>119,050</u>
 <u>Restricted - Family Support Programme</u>		
- Salaries and related cost	208,550	46,552
- Employer's contribution to CPF	44,216	6,459
- Other short-term benefits	1,101	263
	<u>253,867</u>	<u>53,274</u>
 <u>Restricted - Caritas Fund</u>		
- Salaries and related cost	867,000	669,490
- Employer's contribution to CPF	-	55,193
- Other short-term benefits	-	43,132
	<u>867,000</u>	<u>767,815</u>
 Total staff costs	<u>2,788,005</u>	<u>2,855,650</u>

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2020

28. RESERVE POLICY

The purpose of the policy is to provide financial stability and the means for the development of its principal activities. The Company aims to keep its reserves up to two times of total operating expenses.

The management regularly reviews the amount of reserves that are required to ensure substantially to fulfil its obligations and mission.

29. LOANS

No loans were given to any parties during both financial years.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Credit Risk

The Company's has no significant concentrations of credit risk. Cash is placed with established financial institutions. The maximum exposure risk is represented by the carrying amount of each financial asset 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 credit ratings.

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 5 to the financial statements.

Interest Rate Risk

The Company is exposed to market risk for changes in interest rates relates primarily to its holding of fixed deposits as disclosed in Note 8 to the financial statements. The Company's policy is to obtain the most favourable interest rates available.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if SGD fixed deposit interest rates had been 60 (2019: 60) basis points higher/lower with all other variables held constant, the Company's net surplus would have been S\$28,000 (2019: S\$23,000) higher/lower.

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NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2020

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity Risk

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

The following table details the remaining contractual maturities at the end of the reporting period of the Company's financial liabilities, which are based on contractual undiscounted cash flows and the earliest date that the Company required to pay:-

	2020			
	Carrying amount S\$	Total contractual undiscounted cash flow S\$	Within 12 months or on demand S\$	Between 2 to 5 years S\$
Account payables	29,451	29,451	29,451	-
Other payables and accruals	249,155	249,155	249,155	-
Lease liability	232,904	240,000	96,000	144,000
	511,510	518,606	374,606	144,000

	2019			
	Carrying amount S\$	Total contractual undiscounted cash flow S\$	Within 12 months or on demand S\$	Between 2 to 5 years S\$
Account payables	150,909	150,909	150,909	-
Other payables and accruals	363,889	363,889	363,889	-
Lease liability	322,069	336,000	96,000	240,000
	836,867	850,798	610,798	240,000

Foreign Currency Risk

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

MORNING STAR COMMUNITY SERVICES LTD.
(UEN: 201617675H)

NOTES TO THE FINANCIAL STATEMENTS – 31 DECEMBER 2020

31. CATEGORIES OF FINANCIAL INSTRUMENTS

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

	2020	2019
	S\$	S\$
Assets		
<u>Financial assets</u>		
Amortised cost:-		
Account receivables	5,530	15,355
Other receivables	90,920	37,552
Deposits	52,150	54,040
Fixed deposits	4,722,139	3,911,812
Cash and bank balances	693,760	339,956
Total financial assets	<u>5,564,499</u>	<u>4,358,715</u>
Liabilities		
<u>Financial liabilities</u>		
At amortised cost:-		
Account payables	8,158	139,440
Other payables and accruals	249,155	363,889
Lease liabilities	232,904	322,069
Total financial liabilities	<u>490,217</u>	<u>825,398</u>

32. 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.

33. 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 January 2021. The Company does not expect that adoption of these accounting standards or interpretations will have a material impact on the Company's financial statements.