

YOUNG WOMEN'S CHRISTIAN
ASSOCIATION OF SINGAPORE

UNIQUE ENTITY NUMBER : S61SS0075J

**REPORT AND
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2019

LO HOCK LING & CO

Chartered Accountants Singapore

盧鶴齡會計公司



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YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF SINGAPORE

CORPORATE INFORMATION 2019

1. INSTRUMENT SETTING UP THE ASSOCIATION

Constitution of Young Women's Christian Association of Singapore

2. UNIQUE ENTITY NUMBER OF THE ASSOCIATION

S61SS0075J

3. INSTITUTION OF A PUBLIC CHARACTER

IPC 000427

4. REGISTERED ADDRESS

254 Outram Road, Singapore 169051

5. BOARD OF MANAGEMENT

<u>Name</u>	<u>Designation</u>
Ms Tan Kee Leng	President
Ms Janet Tan	1 st Vice-President
Ms Sim Hwee Hoon	2 nd Vice-President
Mrs Maureen Nguee	Honorary Secretary
Ms Carol Liew	Honorary Treasurer
Ms Evelyn Chia	Member
Mrs Dancy Thong	Member
Ms Cheryl Lim	Member
Mrs Loh-Chiam Shock Yuen	Member
Ms Janet Tang	Member

6. AUDIT AND RISK MANAGEMENT COMMITTEE

<u>Name</u>	<u>Designation</u>
Ms Cheryl Lim	Chairperson
Ms Dorene Yeo	Member
Ms Evelyn Yeo	Member
Ms Gwen Ong	Member
Mr Chris Ong	Resource Consultant

7. PRINCIPAL BANKERS

DBS Bank Limited
Standard Chartered Bank
United Overseas Bank Limited

8. INDEPENDENT AUDITORS

Lo Hock Ling & Co.
Chartered Accountants Singapore

9. LAWYERS

Wee Tay & Lim LLP
Advocates & Solicitors

YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF SINGAPORE

(Registered under the Societies Act, Chapter 311)

Statement By Board of Management

In our opinion, the financial statements set out on pages 6 to 31 are properly drawn up in accordance with Financial Reporting Standards in Singapore and the Societies Act, Cap. 311 so as to present fairly, in all material respects, the financial position of Young Women's Christian Association of Singapore (the "Association") as at 31 December 2019 and the financial performance, changes in funds and cash flows of the Association for the year ended on that date.

On behalf of the Board,



Ms Tan Kee Leng
President



Ms Carol Liew
Honorary Treasurer

Singapore, 4 April 2020

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Young Women's Christian Association of Singapore (the "Association") set out on pages 6 to 31, which comprise the statement of financial position (balance sheet) as at 31 December 2019, and the statement of comprehensive income, statement of changes in funds and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Societies Act, Cap. 311 (the "Societies Act"), Charities Act, Cap. 37 (the "Charities Act") and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the financial position of the Association as at 31 December 2019 and of the financial performance, changes in funds and cash flows of the Association for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Association in accordance with the *Accounting and Corporate Regulatory Authority (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 information included in Corporate Information 2019 and the Statement by Board of Management set out on pages 1 and 2 and the annual report but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of Management and 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 the Societies Act, Charities Act 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 Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

The Board of Management is responsible for overseeing the Association's financial reporting process.

Continued

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 Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

In our opinion,

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

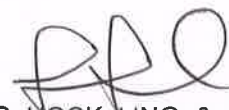
Continued

Report on Other Legal and Regulatory Requirements (Continued)

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

- (i) the use of the donation monies was not in accordance with the objectives of the Association as required under Regulation 11 of the Charities (Institutions of a Public Character) Regulations; and
- (ii) the Association has not complied with the requirements of Regulation 15 (Fund-raising expenses) of the Charities (Institutions of a Public Character) Regulations.

Singapore, 4 April 2020



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

YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF SINGAPORE

(Registered under the Societies Act, Chapter 311)

Statement of Comprehensive Income for the year ended 31 December 2019

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
		\$	\$
<u>INCOME</u>			
Membership subscriptions		24,346	32,129
Service centre fees	3	4,389,862	4,915,520
Hostel income	4	8,463,812	10,254,902
Donations and fund raising income	5	418,199	366,692
Government grants	6	1,899,201	1,847,397
Amortisation of deferred capital grants	17	99,088	32,224
Other income	7	834,562	910,668
Total income		16,129,070	18,359,532
<u>LESS: EXPENDITURE</u>			
Service centres expenses		6,311,767	6,674,203
Hostel, food and beverages expenses		7,589,243	7,786,909
Fund raising expenses	5	4,276	22,192
General and administrative expenses		2,969,461	2,828,930
Total expenditure	8	16,874,747	17,312,234
(Deficit)/surplus for the year transferred to general fund		(745,677)	1,047,298
<u>Other Comprehensive Income</u>			
Items that will not be reclassified subsequently to profit or loss			
Net movement in Designated Funds:			
- Training Fund	16	(1,847)	(24,728)
Other comprehensive income for the year		(1,847)	(24,728)
Total comprehensive income for the year		(747,524)	1,022,570

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

YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF SINGAPORE

(Registered under the Societies Act, Chapter 311)

Statement of Financial Position as at 31 December 2019

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
		\$	\$
<u>ASSETS</u>			
<u>Non-Current Assets</u>			
Property, plant and equipment	9	24,937,384	22,606,100
Investment property	10	<u>337,679</u>	<u>343,664</u>
		<u>25,275,063</u>	<u>22,949,764</u>
<u>Current Assets</u>			
Hostel inventories	11	16,908	17,114
Trade receivables	12	230,554	283,870
Other receivables	13	578,143	622,685
Fixed deposits with financial institutions	14	8,606,604	14,250,917
Cash and bank balances	24	<u>7,136,186</u>	<u>3,752,872</u>
		<u>16,568,395</u>	<u>18,927,458</u>
Total Assets		<u>41,843,458</u>	<u>41,877,222</u>
<u>FUNDS AND LIABILITIES</u>			
<u>Accumulated Funds</u>			
General fund		36,399,745	37,043,633
Capital replacement fund	15	1,458,536	1,560,325
Training fund	16	<u>16,877</u>	<u>18,724</u>
Total Accumulated Funds		<u>37,875,158</u>	<u>38,622,682</u>
<u>Non-Current Liabilities</u>			
Deferred capital grants	17	220,035	42,187
Other payables and provisions	19	<u>190,010</u>	<u>190,010</u>
		<u>410,045</u>	<u>232,197</u>
<u>Current Liabilities</u>			
Trade payables	18	74,958	347,766
Other payables and provisions	19	2,879,043	2,067,720
Deferred income	20	<u>604,254</u>	<u>606,857</u>
		<u>3,558,255</u>	<u>3,022,343</u>
Total Liabilities		<u>3,968,300</u>	<u>3,254,540</u>
Total Funds And Liabilities		<u>41,843,458</u>	<u>41,877,222</u>

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

YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF SINGAPORE

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Statement of Changes in Accumulated Funds for the year ended 31 December 2019

Unrestricted Funds					
	<u>Notes</u>	<u>General fund</u>	<u>Capital replacement fund</u>	<u>Training fund</u>	<u>Total funds</u>
		\$	\$	\$	\$
Balance as at 1 January 2018		36,372,057	1,184,603	43,452	37,600,112
Total comprehensive income for the year		1,047,298	-	(24,728)	1,022,570
Transfer of funds (net)	15	(375,722)	375,722	-	-
Balance as at 31 December 2018		37,043,633	1,560,325	18,724	38,622,682
Total comprehensive income for the year		(745,677)	-	(1,847)	(747,524)
Transfer of funds (net)	15	101,789	(101,789)	-	-
Balance as at 31 December 2019		36,399,745	1,458,536	16,877	37,875,158

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

YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF SINGAPORE

(Registered under the Societies Act, Chapter 311)

Statement of Cash Flows for the year ended 31 December 2019

	<u>Notes</u>	<u>2019</u>	<u>2018</u>
		\$	\$
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>			
Total comprehensive income for the year		(747,524)	1,022,570
Adjustments for:			
Depreciation on property, plant and equipment	9	2,003,266	1,912,001
Depreciation on investment property	10	5,985	5,985
Gain on disposal of property, plant and equipment		-	(600)
Property, plant and equipment written off		7,892	43,171
Amortisation of deferred capital grants	17	(99,088)	(32,224)
Government grants	6	(1,899,201)	(1,847,397)
Interest income		(232,901)	(179,719)
		<u>(214,047)</u>	<u>(98,783)</u>
Operating (deficit)/surplus before working capital changes		(961,571)	923,787
Decrease in inventories		206	11,090
Decrease in receivables		75,155	312,526
Increase in payables		535,912	867,421
Changes in working capital		<u>611,273</u>	<u>1,191,037</u>
Net cash (used in)/from operating activities		(350,298)	2,114,824
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>			
Interest received		255,604	152,170
Purchase of property, plant and equipment	23	(4,342,442)	(1,032,970)
Proceeds from disposal of property, plant and equipment		-	600
Decrease/(increase) in fixed deposits pledged with banks and/or with maturities over 3 months		5,644,313	(1,923,918)
Net cash from/(used in) investing activities		1,557,475	(2,804,118)
<u>CASH FLOWS FROM FINANCING ACTIVITY:</u>			
Government grants received		2,176,137	1,847,397
Net cash from financing activity		<u>2,176,137</u>	<u>1,847,397</u>
Net increase in cash and cash equivalents		3,383,314	1,158,103
Cash and cash equivalents at beginning of the year		<u>3,752,872</u>	<u>2,594,769</u>
Cash and cash equivalents at end of the year	24	<u>7,136,186</u>	<u>3,752,872</u>

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

YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF SINGAPORE

(Registered under the Societies Act, Chapter 311)

NOTES TO THE FINANCIAL STATEMENTS - 31 December 2019

The following notes form an integral part of the financial statements.

1. GENERAL INFORMATION

The Young Women's Christian Association of Singapore (the "Association") is an Association registered in Singapore under the Societies Act, Cap. 311 and the Charities Act, Cap.37. It is also an Institution of a Public Character ("IPC") under the Ministry of Social and Family Development for a period of three years till 30 June 2022. Its registered office is located at 254 Outram Road, Singapore 169051.

The principal activities of the Association consist of the provision of childcare services, educational support for children with special needs (mild), meals-on-wheels, senior citizens' fellowship and the operation of hostels.

The Association operates 9 (2018: 10) childcare centres and 2 (2018: 2) hostels in Singapore.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The Association presents its financial statements in Singapore dollars ("S\$"), which is also its functional currency.

These financial statements are prepared in accordance with the historical cost convention except as disclosed in the accounting policies below, and comply with Financial Reporting Standards in Singapore (FRS), including related Interpretations promulgated by the Accounting Standards Council.

During the financial year, the Association adopted all the applicable new/revised FRSs which are effective on or before 1 January 2019.

2.1.1 Adoption of FRSs effective in 2019

On 1 January 2019, the Association adopted the new or amended FRS that are mandatory for application for the current financial year. Changes to the Association's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS, as disclosed below.

Adoption of FRS 116 Leases

The Association has adopted FRS 116 Leases on 1 January 2019. FRS 116 replaces FRS 17 Leases and on adoption of FRS 116, the Association recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of FRS 17 Leases. These liabilities are measured at the present value of the remaining lease payments, discounted using the Association's incremental borrowing rate as of 1 January 2019.

The adoption of FRS 116 on 1 January 2019 did not result in significant changes as the Association elected the application of the recognition for short-term lease and low value assets under FRS 116 Paragraph 5.

The adoption of FRS 116 on 1 January 2019 did not result in significant changes to the recognition criteria for the Association's lease arrangement as a lessor.

YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF SINGAPORE

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Significant Accounting Estimates and Judgements

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

(A) *Key Sources Of Estimation Uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) *Depreciation on Property, Plant and Equipment and Investment Property*

The costs of property, plant and equipment and investment property are depreciated on a straight line basis over their estimated useful lives. Management's estimates of the useful lives of property, plant and equipment and investment property are disclosed in notes 2.10 and 2.11 respectively. Changes in the expected usage and technological developments could impact the economic useful lives and the residual values of these assets. Therefore, future depreciation charges could be revised. The carrying amounts of property, plant and equipment and investment property and their respective depreciation charge for the year are disclosed in notes 9 and 10 respectively.

(ii) *Expected Credit Losses on Trade Receivables*

Expected credit losses (ECL) are probability-weighted estimates of credit losses over the life of a financial instrument. In estimating ECL to determine the probability of default of its debtors, the Association has used historical information, such as past credit loss experience. Where applicable, historical data are adjusted to reflect the effects of current conditions as well as management's assessment of future economic conditions based on observable market information, which involved significant estimates and judgement.

Based on the management's assessment, there are no significant ECL on the Association's trade receivables as at date of balance sheet.

(B) *Critical Judgements Made In Applying Accounting Policies*

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

Impairment of Non-Financial Assets

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

YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF SINGAPORE

(Registered under the Societies Act, Chapter 311)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 FRSs issued but not yet effective

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

The management does not expect the adoption of the new FRSs that have been issued but are not yet effected to have material impact on the financial statements in the year of initial application.

2.4 Revenue Recognition

Revenue is measured based on the consideration to which the Association 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 Association 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.

(i) *Membership Subscriptions*

Membership subscriptions are recognised as income upon receipt.

(ii) *Service Fees Income*

Service fees income are recognised at the date of commencement of the term or when services are rendered and performance obligations have been fulfilled.

(iii) *Hostel, Food and Beverages Income*

Income from room sales and hostel related services are recognised when the services are rendered and performance obligations have been fulfilled.

Income from sale of food and beverages are recognised upon delivery and acceptance by the customer and performance obligations have been fulfilled.

(iv) *Donations and Fund Raising Income*

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

Donations-in-kind are recognised when the fair value of the assets received can be reasonably ascertained.

(v) *Interest Income*

Interest income is recognised on a time-proportion basis, using the effective interest method.

(vi) *Rental Income*

Rental income from operating leases is recognised on a straight line basis over the lease term.

YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF SINGAPORE

(Registered under the Societies Act, Chapter 311)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Grants

A grant is recognised when there is reasonable assurance that the conditions attached to the grant are met and the right to receive payment is established.

(i) *Grants Related to Assets*

Grants related to the purchase of depreciable assets are taken to deferred capital grants account. The deferred grants are allocated to profit or loss over the period necessary to match the depreciation of the assets purchased with the related grants.

(ii) *Grants Related to Income*

Grants related to income are taken to profit or loss on a systematic basis over the periods in which the Association recognises as expenses the related costs for which the grants are intended to compensate. The grants and the related expenditure are presented separately in profit or loss.

2.6 Employee Benefits

(i) *Defined Contribution Plans*

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

(ii) *Short-term Compensated Absences*

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

2.7 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, being assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets. Borrowing costs are capitalised until the assets are ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

2.8 Leases

(a) The accounting policies for leases from 1 January 2019 are as follows:

(i) *When the Association is the lessee:*

At the inception of the contract, the Association assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF SINGAPORE

(Registered under the Societies Act, Chapter 311)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Leases (continued)

(a) The accounting policies for leases from 1 January 2019 are as follows:
(continued)

(i) *When the Association is the lessee: (continued)*

- Right-of-use assets

The Association recognised a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

These right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

- Lease liabilities

The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Association shall use the incremental borrowing rate.

Lease payments included the following:

- Fixed payment (including in-substance fixed payments), less any lease incentives receivables;
- Variable lease payment that are based on an index or rate, initially measured using the index or rate as at the commencement date;
- Amount expected to be payable under residual value guarantees;
- The exercise price of a purchase option if it is reasonably certain to exercise the option; and
- Payment of penalties for terminating the lease, if the lease term reflects the Association exercising that option.

For contracts that contain both lease and non-lease components, the Association allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component. The Association has elected not to separate lease and non-lease component for property leases and account these as one single lease component.

Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

- There is a change in future lease payments arising from changes in an index or rate;
- There is a change in the Association's assessment of whether it will exercise an extension option; or
- There is modification in the scope of the consideration of the lease that was not part of the original term.

YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF SINGAPORE

(Registered under the Societies Act, Chapter 311)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Leases (continued)

(a) The accounting policies for leases from 1 January 2019 are as follows:
(continued)

(i) *When the Association is the lessee: (continued)*

Lease liability is remeasured with a corresponding adjustment to the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

- Short-term leases and low value assets

The Association has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value assets, except for sublease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

- Variable lease payments

Variable lease payments that are not based on an index or a rate are not included as part of the measurement and initial recognition of the lease liability. The Association shall recognise those lease payments in profit or loss in the periods that triggered those lease payments.

(ii) *When the Association is the lessor:*

The accounting policy applicable to the Association as a lessor in the comparative period were the same under FRS 116 except when the Association is an intermediate lessor.

In classifying a sublease, the Association as an intermediate lessor classifies the sublease as a finance or an operating lease with reference to the right-of-use assets arising from the head lease, rather than the underlying asset.

When the sublease is assessed as a finance lease, the Association derecognises the right-of-use asset relating to the head lease that is transferred to the sublessee and recognised the net investment in the sublease within "Trade and other receivables". Any differences between the right-of-use asset derecognised and the net investment in sublease is recognised in profit or loss. Lease liability relating to the head lease is retained in the balance sheet, which represents the lease payments owed to the head lessor.

When the sublease is assessed as an operating lease, the Association recognises lease income from sublease in profit or loss within "Other income". The right-of-use asset relating to the head lease is not derecognised.

For contract which contains lease and non-lease components, the Association allocates the consideration based on a relative stand-alone selling price basis.

YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF SINGAPORE

(Registered under the Societies Act, Chapter 311)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Leases (continued)

(b) The accounting policies for leases before 1 January 2019 are as follows:

Operating Leases

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

When the Association is the lessor, assets leased out under operating leases are included in property, plant and equipment/investment property. Income arising from such operating lease is recognised on a straight line basis over the lease term.

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

2.9 Income Taxes

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

2.10 Property, Plant and Equipment

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

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

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

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

Building at Outram Centre	99 years
Building at YWCA Fort Canning (YFC)	30 to 35 years
Renovations and building improvements	3 to 35 years
Furniture and fittings	10 years
Office equipment and computer system	5 years
Electrical installations	10 years
Motor vehicles	5 years
Landscaping	10 years

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

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

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

YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF SINGAPORE

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Investment Property

Investment property is held for long term rental yields and/or for capital appreciation. Investment property is initially recognised at cost and subsequently carried at cost less accumulated depreciation and impairment loss, if any. Depreciation is calculated on the straight line basis over the remaining period of the lease, which will expire on 1 June 2076, so as to write off the cost, less residual value, of the asset over its estimated useful lives.

The residual value, useful life and depreciation method of investment property are reviewed and adjusted as appropriate, at each balance sheet date.

Investment property is subject to renovation or improvements at regular intervals. The costs of major renovations and improvements are capitalised as additions and the carrying amounts of the replaced components are written off to the statement of comprehensive income. The costs of maintenance, repairs and minor improvements are charged to the statement of comprehensive income.

On disposal of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss.

2.12 Hostel Inventories

Hostel inventories, comprising unconsumed food and beverages, are stated at lower of cost and net realisable value. Cost is determined by applying the first-in first-out formula and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less selling expenses.

2.13 Financial Assets

Financial assets are classified into the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); and
- Fair value through profit or loss (FVPL).

The basis of classification depends on the Association's business model and the contractual cash flow characteristics of the financial assets.

At initial recognition

At initial recognition, the Association measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial assets. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Trade receivables that do not have a significant financing component are measured at their transaction price at initial recognition.

At subsequent measurement

There are three prescribed subsequent measurement categories - at amortised cost, FVOCI and FVPL, depending on the Association's business model in managing the financial assets and the cash flow characteristics of the assets.

YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF SINGAPORE

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Financial Assets (continued)

At subsequent measurement (continued)

The Association's financial assets, comprising mainly trade and other receivables and cash and cash equivalents, are measured at amortised cost subsequent to initial recognition, as these represent contractual cash flows which represent solely payments of principal and interest. A gain or loss on a financial asset that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets are recognised using the effective interest rate method.

2.14 Receivables

Receivables that do not have a significant financing component are measured at their transaction price at initial recognition, and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses, as explained in note 2.20.

2.15 Cash and Cash Equivalents

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

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

2.16 Funds

General funds are unrestricted funds available for use at the discretion of the Board of Management for the furtherance of the Association's objectives.

Designated funds are unrestricted funds which are designated for specific projects or programmes. Currently, the Association has two designated funds, namely, Capital Replacement Fund and Training Fund as detailed in notes 15 and 16 respectively.

2.17 Financial Liabilities

Financial liabilities include trade and other payables, payables to related parties, and interest-bearing loans and borrowings.

Financial liabilities are recognised on the balance sheet when the Association becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method, except for financial liabilities at fair value through profit or loss, including derivatives, which are measured at fair value. Financial liabilities with a short duration are not discounted.

A financial liability is derecognised when the contractual obligation is discharged or cancelled or expires. For financial liabilities other than derivatives, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in profit or loss. Net gains or losses on derivatives include exchange differences.

YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF SINGAPORE

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2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Provisions

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

2.19 Impairment of Non-Financial Assets

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

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

2.20 Impairment of Financial Assets

The Association assesses on forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost, and recognises a loss allowance accordingly.

At each reporting date, the debt instruments are assessed to determine whether there is significant increase in credit risk on the debt instruments since initial recognition. If there is a significant increase in credit risk since initial recognition, lifetime expected credit losses will be calculated and recognised in the loss allowance. If credit risk on the debt instrument has not increased significantly since initial recognition, the loss allowance is measured based on 12-month expected credit losses. Adjustments to the loss allowance are recognised in profit or loss as an impairment gain or loss.

For trade receivables, the Association applies the simplified approach permitted by FRS 109, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

YOUNG WOMEN'S CHRISTIAN ASSOCIATION OF SINGAPORE

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3.	<u>SERVICE CENTRE FEES</u>	<u>2019</u>	<u>2018</u>
		\$	\$
	Service fees income from:		
	- Ang Mo Kio Childcare Development Centre ("CDC")	453,880	536,087
	- Bedok CDC	566,319	622,924
	- Bishan CDC	345,133	388,915
	- Bukit Gombak CDC	632,935	523,332
	- Jurong East CDC	-	179,720
	- Marine Drive CDC	437,509	485,312
	- McNair CDC	391,905	526,001
	- Outram CDC	606,658	624,101
	- Pasir Ris CDC	527,639	528,450
	- West Coast CDC	329,426	342,590
	- Educational Support Unit	98,458	158,088
		<u>4,389,862</u>	<u>4,915,520</u>
4.	<u>HOSTEL INCOME</u>	<u>2019</u>	<u>2018</u>
		\$	\$
	Room revenue	5,190,628	6,294,018
	Food and beverage revenue	1,133,275	1,296,144
	Banquet revenue	640,091	864,927
	Service charges	697,934	846,878
	Operating lease income	789,991	939,009
	Others	11,893	13,926
		<u>8,463,812</u>	<u>10,254,902</u>
5.	<u>DONATIONS, FUND RAISING INCOME AND EXPENSES</u>	<u>2019</u>	<u>2018</u>
		\$	\$
	<u>Donations and fund raising income:</u>		
	Outright donations and direct appeals	310,138	117,369
	Income from fund raising events	108,061	249,323
		<u>418,199</u>	<u>366,692</u>
	<u>Fund raising expenses:</u>		
	Direct costs incurred for fund raising events	4,276	22,192

Total gross donations received (including donations received from fund raising events) which qualify for tax deduction amounted to \$287,621 (2018: \$241,539).

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

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6. GOVERNMENT GRANTS

	<u>2019</u>	<u>2018</u>
	\$	\$
VWOs Charity Capability Fund Consultancy Grant	85,812	46,533
Integrated Child Care Programme (ICCP) Specialist Support Grant (a)	172,599	83,838
Partner Operator (POP) Scheme Grant (b)	<u>1,640,790</u>	<u>1,717,026</u>
	<u>1,899,201</u>	<u>1,847,397</u>

- (a) The ICCP supports the provision of educational psychological services for children with special needs (mild).
- (b) The POP Scheme supports child care operators to keep fees affordable, build capabilities to raise quality, and improve career prospects for Early Childhood professionals.

7. OTHER INCOME

	<u>2019</u>	<u>2018</u>
	\$	\$
Interest income	232,901	179,719
Gain on disposal of property, plant and equipment	-	600
Government grant	193,986	264,300
Operating lease income from investment property	58,926	59,208
Other rental income	12,694	7,683
Sundry income from service centres:		
- Celebrations	25,428	26,200
- Enrichment programmes	206,058	260,924
- Outings	45,210	35,003
- Projects	11,380	13,597
- Registration fees	8,050	10,800
- Uniform for children	14,917	27,741
Others	<u>25,012</u>	<u>24,893</u>
	<u>834,562</u>	<u>910,668</u>

8. TOTAL EXPENDITURE

Included in total expenditure are the following expenses which have not been otherwise disclosed in the statement of comprehensive income:-

	<u>2019</u>	<u>2018</u>
	\$	\$
Bad debts written off - trade	352	-
Depreciation on property, plant and equipment (note 9)	2,003,266	1,912,001
Depreciation on investment property (note 10)	5,985	5,985
Direct operating expenses arising from income generating investment property	19,432	19,217
Employee benefits expense (note 21)	9,273,303	9,379,038
Allowance for impairment of receivables - trade	-	6,034
Audit fees:		
- statutory audit	26,500	26,500
- internal audit	12,000	7,500
Lease expenses	140,434	155,897
Property, plant and equipment written off	7,892	43,171

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9. PROPERTY, PLANT AND EQUIPMENT

	Building at Outram Centre	Building at YFC	Renovations and building improvements	Furniture and fittings	Office equipment and computer system	Electrical installations	Motor vehicles	Landscaping	Total
<u>Cost</u>	\$	\$	\$	\$	\$	\$	\$	\$	\$
At 1 January 2018	2,486,322	30,923,914	11,086,484	2,122,419	1,388,549	363,449	344,905	33,000	48,749,042
Additions	-	-	902,654	90,508	194,645	35,173	-	-	1,222,980
Disposal/written off	-	-	(213,113)	(79,414)	(113,715)	(61,924)	(48,600)	-	(516,766)
At 31 December 2018	2,486,322	30,923,914	11,776,025	2,133,513	1,469,479	336,698	296,305	33,000	49,455,256
and 1 January 2019	-	-	4,159,646	22,264	59,082	18,949	82,501	-	4,342,442
Additions	-	-	(5,590)	(314,474)	(62,873)	-	-	-	(382,937)
Disposal/written off	-	-	-	-	-	-	-	-	-
At 31 December 2019	2,486,322	30,923,914	15,930,081	1,841,303	1,465,688	355,647	378,806	33,000	53,414,761
<u>Accumulated depreciation</u>									
At 1 January 2018	827,249	15,404,169	6,193,771	1,419,137	1,023,827	324,135	185,462	33,000	25,410,750
Charge for the year	44,242	888,060	662,970	126,575	131,163	9,268	49,723	-	1,912,001
Disposal/written off	-	-	(211,210)	(67,499)	(84,362)	(61,924)	(48,600)	-	(473,595)
At 31 December 2018	871,491	16,292,229	6,645,531	1,478,213	1,070,628	271,479	186,585	33,000	26,849,156
and 1 January 2019	44,242	888,752	760,799	126,712	118,249	11,994	52,518	-	2,003,266
Charge for the year	-	-	(4,187)	(312,028)	(58,830)	-	-	-	(375,045)
Disposal/written off	-	-	-	-	-	-	-	-	-
At 31 December 2019	915,733	17,180,981	7,402,143	1,292,897	1,130,047	283,473	239,103	33,000	28,477,377
<u>Carrying amount</u>									
At 31 December 2019	1,570,589	13,742,933	8,527,938	548,406	335,641	72,174	139,703	-	24,937,384
At 31 December 2018	1,614,831	14,631,685	5,130,494	655,300	398,851	65,219	109,720	-	22,606,100

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9. PROPERTY, PLANT AND EQUIPMENT (continued)

The building at Outram Centre has a 99-year lease commencing from 1 July 1956.

The building at YFC refers to the YWCA Fort Canning (YFC). Approximately 75% of the land on which YFC is situated is leasehold land with a 999-year lease commencing from 1 July 1914 whilst the remaining 25% of the land is leasehold land with a 99-year lease that expired on 31 December 2014. The Association has obtained a renewal of this expired lease for a further term of 30 years from 1 January 2015 to 31 December 2044.

The building at YFC with a carrying amount of \$13,742,933 (2018: \$14,631,685) has been mortgaged to secure banking facilities granted to the Association.

Included in the carrying amount of renovation is an amount of \$114,006 (2018: \$152,008) representing provision for reinstatement costs.

10. INVESTMENT PROPERTY

	<u>2019</u>	<u>2018</u>
	\$	\$
<u>Cost</u>		
At 1 January and 31 December	<u>652,725</u>	<u>652,725</u>
<u>Accumulated depreciation</u>		
At 1 January	309,061	303,076
Charge for the year	<u>5,985</u>	<u>5,985</u>
At 31 December	<u>315,046</u>	<u>309,061</u>
<u>Carrying amount</u>		
At 31 December	<u>337,679</u>	<u>343,664</u>

The above investment property, comprising two commercial units at Orchard Plaza, has a 99-year lease expiring on 1 June 2076.

The fair value of the property, amounting to approximately \$1.88 million (2018: \$2.13 million) as at balance sheet date, is determined by independent professional valuers, Pioneer Property Consultants LLP (2018: Premas Valuers & Property Consultants Pte Ltd), on the basis of comparable sales by reference to market evidence of transaction prices for similar properties. This represents fair value measurement under hierarchy level 2, as explained in note 29 to the financial statements.

11. HOSTEL INVENTORIES

	<u>2019</u>	<u>2018</u>
	\$	\$
Hostel inventories, at cost	<u>16,908</u>	<u>17,114</u>

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12. TRADE RECEIVABLES

	<u>2019</u>	<u>2018</u>
	\$	\$
Hostel trade receivables	192,666	289,904
Less: Allowance for impairment		
Balance brought forward	(6,034)	-
Current year's allowance	-	(6,034)
Balance carried forward	(6,034)	(6,034)
	186,632	283,870
Goods and service tax receivables	43,922	-
	230,554	283,870

Trade receivables are non-interest bearing and are generally on 30 days' (2018: 30 days') terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

13. OTHER RECEIVABLES

	<u>2019</u>	<u>2018</u>
	\$	\$
Partner Operator (POP) Scheme Grant receivables	257,796	269,269
Non-trade receivables	34,884	25,657
Deposits	126,294	127,820
Interest receivables	80,490	103,193
Prepayments	78,679	96,746
	578,143	622,685

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

14. FIXED DEPOSITS WITH FINANCIAL INSTITUTIONS

	<u>2019</u>	<u>2018</u>
	\$	\$
Fixed deposits with banks	8,606,604	14,250,917

Fixed deposits mature within one year (2018: one year) and earn interest at rates ranging from 1.61% to 1.93% (2018: 1.38% to 1.70%) per annum.

The funds represented by the above fixed deposits are as follows:-

	<u>2019</u>	<u>2018</u>
	\$	\$
General fund	7,131,191	12,671,868
Capital replacement fund (note 15)	1,458,536	1,560,325
Training fund (note 16)	16,877	18,724
	8,606,604	14,250,917

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15. CAPITAL REPLACEMENT FUND

	<u>2019</u>	<u>2018</u>
	\$	\$
Balance at beginning of the year	1,560,325	1,184,603
Movements for the year:		
Amount transferred from General Fund	3,350,000	500,000
Amount utilised	(3,451,789)	(124,278)
Net movements for the year	(101,789)	375,722
Balance at end of the year (note 14)	1,458,536	1,560,325

The Capital Replacement Fund is an unrestricted designated fund set up by the Board of Management for the purpose of funding the refurbishment and renovation of YWCA Fort Canning (YFC). YFC contributes part of its operating surplus on a regular basis to build up this fund. From time to time, the Board determines and authorises the amount of operating surplus derived from YFC's operations to be transferred from the General Fund to this fund.

16. TRAINING FUND

	<u>2019</u>	<u>2018</u>
	\$	\$
Balance at beginning of the year	18,724	43,452
Amount utilised during the year	(1,847)	(24,728)
Balance at end of the year (note 14)	16,877	18,724

The Training Fund is an unrestricted designated fund used to fund teachers training programmes for the service centres.

17. DEFERRED CAPITAL GRANTS

	<u>2019</u>	<u>2018</u>
	\$	\$
Balance at beginning of the year	42,187	74,411
Add: Grants received during the year	276,936	-
Less: Amortisation of deferred capital grants during the year	(99,088)	(32,224)
Balance at end of the year	220,035	42,187

The above represents government grants received for the purpose of funding capital expenditure and major repair works carried out in various childcare development centres operated by the Association.

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18. TRADE PAYABLES

	<u>2019</u>	<u>2018</u>
	\$	\$
Hostel trade payables	74,958	114,644
Goods and service tax payables	-	233,122
	<u>74,958</u>	<u>347,766</u>

Trade payables are non-interest bearing and are normally settled within 30 days (2018: 30 days).

19. OTHER PAYABLES AND PROVISIONS

	<u>2019</u>	<u>2018</u>
	\$	\$
<u>Current liabilities</u>		
Non-trade payables	823,183	259,779
Refundable deposits	935,142	920,514
Accruals	1,035,855	853,704
Provision for unutilised annual leave	84,863	33,723
	<u>2,879,043</u>	<u>2,067,720</u>
<u>Non-Current liability</u>		
Provision for reinstatement costs	190,010	190,010
	<u>3,069,053</u>	<u>2,257,730</u>

Non-trade payables and accruals are unsecured, non-interest bearing and are normally settled within 30 days or on demand (2018: 30 days or on demand).

Provision for reinstatement costs represents the estimated costs of restoring the leased premises from third parties to their original condition. The reinstatement costs are capitalised as part of the cost of renovation under property, plant and equipment.

20. DEFERRED INCOME

	<u>2019</u>	<u>2018</u>
	\$	\$
Income received in advance due within 1 year	604,254	606,857
Income received in advance comprise:		
Operating lease income	591,387	591,387
Service fees income	12,867	15,470
	<u>604,254</u>	<u>606,857</u>

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21. EMPLOYEE BENEFITS EXPENSE

	<u>2019</u>	<u>2018</u>
	\$	\$
Salaries and related costs	8,353,981	8,446,890
Employer's contributions to Central Provident Fund	<u>919,322</u>	<u>932,148</u>
	<u>9,273,303</u>	<u>9,379,038</u>

22. RELATED PARTIES

For the purpose of these financial statements, parties are considered to be related to the Association if the Association has the ability to, directly or indirectly, control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Association and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Association is governed by the Board of Management which is the final authority and has overall responsibility for policy making and determination of all activities. Members of the Board of Management are volunteers and receive no monetary remuneration for their contribution, except for reimbursement of out-of-pocket expenses.

The Association has in place a conflict of interest policy in its code of conduct. All members of the Board of Management and key management personnel are required to declare their interests yearly.

- (i) The total key management personnel compensation included in employee benefits expense are as follows:

	<u>2019</u>	<u>2018</u>
	\$	\$
Short-term employee benefits	331,575	393,070
Employer's contributions to Central Provident Fund	<u>23,121</u>	<u>35,446</u>
	<u>354,696</u>	<u>428,516</u>
Number of key management personnel	<u>2</u>	<u>3</u>

- (ii) The annual remuneration of the three highest paid staff classified by remuneration bands are as follows:

	<u>No. of Staff</u>	
	<u>2019</u>	<u>2018</u>
Annual remuneration		
- more than \$200,000 but less than \$300,000	1	1
- more than \$100,000 but less than \$200,000	2	2

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23. PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

The Association's additions to property, plant and equipment comprise of the following:

	<u>2019</u>	<u>2018</u>
	\$	\$
Acquisition by cash	4,342,442	1,032,970
Provision for reinstatement costs (note 19)	-	190,010
	<u>4,342,442</u>	<u>1,222,980</u>

24. CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the Statement of Cash Flows comprise cash and bank balances as shown in Statement of Financial Position.

25. OPERATING LEASE COMMITMENTS

The Association leases out demised premises, retail space, swimming pool and carpark at YFC building and its investment property to non-related parties under non-cancellable operating leases.

The future minimum lease receivables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as receivables, are as follows:

	<u>2019</u>	<u>2018</u>
	\$	\$
Lease income receivable		
within 1 year	889,288	960,359
after 1 year but not later than 5 years	1,349,460	2,197,451
	<u>2,238,748</u>	<u>3,157,810</u>

The above operating leases do not provide for contingent rents.

The Association has elected not to recognise right-of-use assets and lease liabilities for its operating lease expenses, as the Association deems its lease commitments amounting \$65,009 as at 1 January 2019 to be short-term leases and leases of low value assets.

26. CAPITAL COMMITMENTS

At the balance sheet date, the Association has capital commitments amounting to \$769,295 (2018: \$470,950) in respect of contracted expenditures for the upgrade and installation of computerised management systems and renovation works which have not been provided for in the financial statements.

27. FINANCIAL RISK MANAGEMENT

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

27.1 Credit Risk

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

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27. FINANCIAL RISK MANAGEMENT (continued)

27.1 Credit Risk (continued)

(i) Risk Management

Credit evaluations are performed on all customers requiring credit over a certain amount.

Deposits are collected by the service centres in respect of childcare services provided.

Credit evaluations are performed on all tenants. Tenants are required to place security deposits with the Association at the commencement of each tenancy term.

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

(ii) Recognition of Expected Credit Losses (ECL)

The Association's financial assets that are subject to credit losses where the expected credit loss model has been applied are trade receivables. The Association assesses on forward looking basis the expected credit losses on its trade receivables, and recognises a loss allowance in accordance with FRS 109.

Based on the Association's historical collection trend, most trade receivables are settled within credit term. Any trade receivables that are settled after their due date are not significant, and there is a low risk of default. Trade receivables are assessed on a collective basis to determine whether there are changes in credit risk. Lifetime expected credit losses are recognised for specific receivables for which credit risk is deemed to have increased significantly.

As at the balance sheet date, there were no significant trade receivables that are subject to ECL.

27.2 Liquidity Risk

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

The Association monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate to finance the Association's operations and to mitigate the effects of fluctuation in cash flows.

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

27.3 Interest Rate Risk

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

The Association does not have material interest-bearing financial liabilities and has incurred minimal finance costs during the year. Its exposure to changes in interest rates relates primarily to interest-bearing bank deposits. The Association monitors movements in interest rates to ensure deposits are placed with financial institutions offering optimal rates of return.

The interest rates and terms of maturity of financial assets of the Association are disclosed in note 14 to the financial statements.

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28. RESERVES MANAGEMENT

The primary objective of the Association's reserves management policy is to ensure that it maintains strong and healthy capital ratios in order to support its operations and future growth.

The Association targets to maintain an optimum level of general fund which is equivalent to three years of its budgeted expenditures relating to the operations of its service centres. The Association regularly reviews and manages its reserves to ensure optimal capital structure, taking into consideration the future capital requirements of the Association and capital efficiency, prevailing and projected profitability, projected operating cash flows and projected capital expenditures.

As disclosed in notes 15 and 16 to the financial statements, the Association also maintains designated funds to ensure adequate resources are set aside for capital replacement and staff training purposes.

The Association is not subject to externally imposed capital requirements.

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

29. FAIR VALUE OF ASSETS AND LIABILITIES

(a) The Association categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used, as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - valuation techniques using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(b) Fair Value of Non-Financial Assets

The Association does not apply fair value accounting in the measurement of its non-financial assets. However, the fair value of its investment property is disclosed in note 10 for compliance with *FRS 40 Investment Property*.

(c) Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, receivables and payables classified as current assets and current liabilities, which are measured on the amortised cost basis, approximate their fair values due to their short term nature.

30. FINANCIAL INSTRUMENTS BY CATEGORY

The aggregate carrying amounts of financial instruments by category, as specified in FRS 109 are as follows:

	<u>2019</u>	<u>2018</u>
	\$	\$
Financial assets at amortised cost	16,428,886	18,813,598
Financial liabilities at amortised cost	2,869,138	2,148,641

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31. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements of the Association for the year ended 31 December 2019 were authorised for issue by the Board of Management on 4 April 2020.

