KHENG CHIU LOKE TIN KEE HOME

[UEN: S92SS0060E]
[Registered under the Societies Act (Chapter 311) in the Republic of Singapore]

AUDITED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2019

CONTENTS

Suhaimi Salleh & Associates
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STATEMENT BY THE MANAGEMENT COMMITTEE

In the opinion of the Management Committee, the accompanying financial statements are drawn up so as to present fairly, in all material respects, the state of affairs of Kheng Chiu Loke Tin Kee Home (the "Home") as at 31 December 2019 and the results, the changes in funds and cash flows of the Home for the financial year then ended.

At the date of this statement, there are reasonable grounds to believe that the Home will be able to pay its debts as and when they fall due.

The Management Committee, comprising the following, authorised the issue of these financial statements on 0 8 OCT 2020

Chairman	Foo Jong Peng	
Vice Chairman	Ngiam Seng Wee PB, PBS	
Vice Chairman	Moh Tai Tong	(Resigned on 31 January 2020)
Honorary Secretary	Lim Fang Siang	
Assistant Honorary Secretary	Goh Juan Wah	
Honorary Treasurer	Chew See Bee PBM	
Assistant Honorary Treasurer	Phoo Yap Lee	
Committee Member	Lim Tew Tean	
Committee Member	Pang Hick Seng BBM	
Committee Member	Wong Kum Chee	
Committee Member	Foo Sek Juat	
Committee Member	Goh Gee Mui	(Appointed on 29 September 2020)

For and on behalf of the Management Committee,

Foo Jong Peng
Chairman

Chew See Bee PBM
Honorary Treasurer

Singapore, 0 8 OCT 2020

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Independent auditor's report to the members of:

KHENG CHIU LOKE TIN KEE HOME
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Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Kheng Chiu Loke Tin Kee Home (the "Home"), which comprise the statement of financial position as at 31 December 2019, and the statement of financial activities, statement of changes in funds and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Societies Act, Chapter 311 (the "Societies 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 present fairly, in all material respects, the state of affairs of the Home as at 31 December 2019 and the results, changes in funds and cash flows of the Home 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 Home 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 Statement by the Management Committee 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 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, 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.

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(CONT'D)

Independent auditor's report to the members of:

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the provisions of the Societies Act, the Charities Act and Regulations and FRSs and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Home'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 Home or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Home'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 auditors' 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 Home's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

- 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 Home'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 Home 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 Home have been properly kept in accordance with the provisions of the Societies Regulations enacted under the Societies Act, 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 financial year:

(a) the Home has not used the donation moneys in accordance with its objectives as required under Regulation 11 of the Charities (Institutions of a Public Character) Regulations; and

(b) the Home has not complied with the requirements of Regulation 15 of the Charities (Institutions of a Public Character) Regulations.

Suhaimi Salleh & Associates

Suhaimi Salleh & Associates
Public Accountants and
Chartered Accountants

Singapore, **08 OCT 2020**

Partner-in-charge: Soo Hon Weng
PAB. No.: 01089

STATEMENT OF FINANCIAL ACTIVITIES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		2019				2018			
		Unrestricted fund	Restricted funds		Total unrestricted and restricted funds	Unrestricted fund	Restricted funds		Total unrestricted and restricted funds
	Note	General Fund S$	Building Fund S$	Cyclical Maintenance Fund S$	S$	General Fund S$	Building Fund S$	Cyclical Maintenance Fund S$	S$
INCOME									
Income from generating funds									
<u>Voluntary income</u>									
Donations	6	147,682	0	0	147,682	73,281	0	0	73,281
Grant		9,817	0	0	9,817	21,635	0	0	21,635
Rental reimbursements		239,016	0	0	239,016	238,524	0	0	238,524
		396,515	0	0	396,515	333,440	0	0	333,440
<u>Investment income</u>									
Fixed deposits interest income		58,062	0	0	58,062	49,189	0	0	49,189
Income from charitable activities									
Admission and home fee from residents		886,194	0	0	886,194	898,525	0	0	898,525
Other income									
Amortisation of deferred capital grants and Donations	12	268,152	0	0	268,152	268,152	0	0	268,152
Miscellaneous income		215	0	0	215	30,642	0	0	30,642
		268,367	0	0	268,367	298,794	0	0	298,794
Total income		1,609,138	0	0	1,609,138	1,579,948	0	0	1,579,948

STATEMENT OF FINANCIAL ACTIVITIES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

		2019				2018			
		Unrestricted fund	Restricted funds			Unrestricted fund	Restricted funds		
	Note	General Fund S$	Building Fund S$	Cyclical Maintenance Fund S$	Total unrestricted and restricted funds S$	General Fund S$	Building Fund S$	Cyclical Maintenance Fund S$	Total unrestricted and restricted funds S$
EXPENDITURE									
Cost of charitable activities									
Activities expenses		197	0	0	197	15	0	0	15
Amortisation of right-of-use assets	9	219,875	0	0	219,875	0	0	0	0
Bad debts		2,968	0	0	2,968	833	0	0	833
CPF contributions, SDL and FWL		78,811	0	0	78,811	68,993	0	0	68,993
Depreciation	9	371,863	0	0	371,863	368,968	0	0	368,968
Donations		0	0	0	0	200	0	0	200
Festival celebrations		37,986	0	0	37,986	14,884	0	0	14,884
Food for the aged residents		161,952	0	0	161,952	180,414	0	0	180,414
General expenses		16,554	0	0	16,554	7,043	0	0	7,043
GST expenses		26,550	0	0	26,550	26,446	0	0	26,446
Kheng Chiu Happy Lodge coffee corner expenses		0	0	0	0	7,459	0	0	7,459
License expenses		409	0	0	409	202	0	0	202
Medical expenses		6,164	0	0	6,164	5,135	0	0	5,135
Printing and stationery		1,597	0	0	1,597	1,521	0	0	1,521
Postage and courier		3,678	0	0	3,678	1,231	0	0	1,231
Public assistance allowances		18,250	0	0	18,250	22,450	0	0	22,450
Operating lease expense - equipment		0	0	0	0	2,601	0	0	2,601
Operating lease expense - land		0	0	0	0	238,524	0	0	238,524
Repair and maintenance		63,093	0	0	63,093	60,026	0	0	60,026
Salaries, allowances and bonus		434,340	0	0	434,340	367,924	0	0	367,924
Staff training and welfare		36,606	0	0	36,606	31,681	0	0	31,681
Subscriptions		488	0	0	488	568	0	0	568
Telephone and internet charges		2,353	0	0	2,353	2,878	0	0	2,878
Transport		2,049	0	0	2,049	3,502	0	0	3,502
Upkeep of motor vehicles		3,650	0	0	3,650	3,824	0	0	3,824
Utilities		95,636	0	0	95,636	88,547	0	0	88,547
		1,585,069	0	0	1,585,069	1,505,869	0	0	1,505,869

STATEMENT OF FINANCIAL ACTIVITIES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

	Note	2019				2018			
		Unrestricted fund	Restricted funds		Total unrestricted and restricted funds	Unrestricted fund	Restricted funds		Total unrestricted and restricted funds
		General Fund S$	Building Fund S$	Cyclical Maintenance Fund S$	S$	General Fund S$	Building Fund S$	Cyclical Maintenance Fund S$	S$
EXPENDITURE (CONT'D)									
Governance and administrative costs									
Advertisements and publicity		0	0	0	0	1,000	0	0	1,000
Audit fees		4,900	0	0	4,900	4,000	0	0	4,000
Bank charges		1,642	0	0	1,642	52	0	0	52
Entertainment and refreshments		1,270	0	0	1,270	785	0	0	785
Interest expense on lease liabilities		40,575	0	0	40,575	0	0	0	0
Insurance		12,713	0	0	12,713	10,115	0	0	10,115
Newspaper and periodicals		2,385	0	0	2,385	0	0	0	0
Office supplies		176	0	0	176	0	0	0	0
		63,661	0	0	63,661	15,952	0	0	15,952
Total expenditure		1,648,730	0	0	1,648,730	1,521,821	0	0	1,521,821
Net (loss)/ income for the financial year		(39,592)	0	0	(39,592)	58,127	0	0	58,127
Total funds brought forward		4,085,612	160,855	754,165	5,000,632	4,027,485	160,855	754,165	4,942,505
Total funds carried forward		4,046,020	160,855	754,165	4,961,040	4,085,612	160,855	754,165	5,000,632

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

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Note	2019 S$	2018 S$
ASSETS			
Current assets			
Cash and cash equivalents	7	4,611,235	4,488,230
Other receivables	8	166,938	176,366
		4,778,173	4,664,596
Non-current asset			
Property, plant & equipment	9	4,587,018	3,697,857
TOTAL ASSETS		9,365,191	8,362,453
LIABILITIES			
Current liabilities			
Contract liabilities	5	150,162	148,906
Other payables	10	220,604	173,891
Lease liabilities	11	207,943	0
		578,709	322,797
Non-current liabilities			
Deferred capital grants and donations	12	2,770,872	3,039,024
Lease liabilities	11	1,054,570	0
		3,825,442	3,039,024
Total liabilities		4,404,151	3,361,821
NET ASSETS		4,961,040	5,000,632
FUNDS			
Unrestricted fund			
General Fund	13	4,046,020	4,085,612
Restricted funds			
Building Fund	14	160,855	160,855
Cyclical Maintenance Fund	15	754,165	754,165
		915,020	915,020
TOTAL FUNDS		4,961,040	5,000,632

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

STATEMENT OF CHANGES IN FUNDS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	At beginning of financial year S$	Net expenditure for the financial year S$	At end of financial year S$
2019			
Unrestricted fund			
General Fund	4,085,612	(39,592)	4,046,020
Restricted funds			
Building Fund	160,855	0	160,855
Cyclical Maintenance Fund	754,165	0	754,165
	915,020	0	915,020
Total funds	5,000,632	(39,592)	4,961,040

	At beginning of financial year S$	Net income for the financial year S$	At end of financial year S$
2018			
Unrestricted fund			
General Fund	4,027,485	58,127	4,085,612
Restricted funds			
Building Fund	160,855	0	160,855
Cyclical Maintenance Fund	754,165	0	754,165
	915,020	0	915,020
Total funds	4,942,505	58,127	5,000,632

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

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	2019 S$	2018 S$
Cash flows from operating activities			
Net (expenditure)/income for the financial year		(39,592)	58,127
Adjustments for:			
- Depreciation	9	371,863	368,968
- Bad debts		2,968	833
- Amortisation of deferred capital grants and donations	12	(268,152)	(268,152)
- Amortisation of right-of-use assets	9	219,875	0
- Fixed deposits interest income		(58,062)	(49,189)
- Interest expense on lease liabilities		40,575	0
Operating cash flow before working capital changes		269,475	110,587
Changes in working capital			
- Other receivables		7,870	(20,822)
- Contract liabilities		1,256	(8,154)
- Other payables		46,713	(19,521)
Net cash generated from operating activities		325,314	62,090
Cash flows from investing activities			
Purchases of property, plant and equipment		(17,733)	(61,998)
Fixed deposits interest received		56,652	46,436
Net cash generated from/(used in) investing activities		38,919	(15,562)
Cash flows from financing activities			
Payment of principal portion of lease liabilities	11	(200,653)	0
Interest paid		(40,575)	
Net cash used in financing activities		(241,228)	0
Net increase in cash and cash equivalents		123,005	46,528
Cash and cash equivalents at beginning of financial year		4,488,230	4,441,702
Cash and cash equivalents at end of financial year	7	4,611,235	4,488,230

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

1. General information

Kheng Chiu Loke Tin Kee Home (the "Home") is registered and domiciled in Singapore. The Home's registered address and principal place of business is at 70 Tampines Avenue 4, Kheng Chiu Happy Lodge, Singapore 529681.

Kheng Chiu Loke Tin Kee Home (the "Home") was registered on 29 April 1992 under the Societies Act (Chapter 311) and is a charity registered under the Charities Act, Chapter 37 since 11 September 1992.

The Home has been accorded an Institutions of a Public Character ("IPC") status until 31 July 2020.

The principal objectives of the Home are those of providing shelter and care to the aged destitute who are Singapore Citizens or Singapore permanent residents, irrespective of race, sex and religion.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standards in Singapore ("FRSs"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

These financial statements are presented in Singapore Dollar ("S$"), which is the Home's functional currency.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2.1.1 Interpretations and amendments to published standards effective in 2019

In the current financial period, the Home has adopted the new or revised FRS and Interpretations to FRS (INT FRS) that are relevant and mandatory to its operations and effective on 1 January 2019. The adoption of the standard did not have any material effect on the financial statements.

Except for the adoption of FRS 116 Leases as described below, the adoption of these new or amended FRS and INT FRS did not result in substantial changes to the Home's accounting policies and had not material effect on the amounts reported for the current or prior financial years.

2. Significant accounting policies (Cont'd)

2.1 Basis of preparation (Cont'd)

2.1.1 Interpretations and amendments to published standards effective in 2019 (Cont'd)

Adoption of FRS 116 Leases

The Home has adopted the new standard using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application as an adjustment to the opening balance of General Fund. The Home has recognised the right-of-use assets for the leases based on an amount equal to the lease liability, as a result of this, no adjustment to the opening balance of General Fund was provided at the date of initial adoption as of 1 January 2019. The Home elected to use the transition practical expedient to not assess whether a contract is, or contains a lease at 1 January 2019. Instead, the Home applied the standard only to contracts that were previously identified as leases applying FRS 17 and INT FRS 104 at the date of initial application.

Lease previously accounted for as operating leases

Prior to the adoption of FRS 116, non-cancellable operating lease payments were not recognised as liabilities in the statement of financial position. These payments were recognised as rental expenses over the lease term on a straight-line basis. The Home's accounting policy on leases after the adoption of FRS 116 is as disclosed in Note 2.5.

The Home recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for the leases were recognised based on an amount equal to the lease liability, adjusted for previously recognised prepaid or accrued lease payments. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Home also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relied on its assessment of whether leases are onerous immediately before the date of initial application as an alternative to performing an impairment review;
- applied the short-term leases exemption to leases with lease term that ends within 12 months of the date of initial application;
- excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

Based on the above, as at 1 January 2019:

- right-of-use assets of S$1,463,166 were recognised and presented within property, plant and equipment; and
- lease liabilities of S$1,463,166 were recognised.

2. Significant accounting policies (Cont'd)

2.1 Basis of preparation (Cont'd)

2.1.1 Interpretations and amendments to published standards effective in 2019 (Cont'd)

Adoption of FRS 116 Leases (Cont'd)

The following is the reconciliation of the impact arising from initial application of the new FRS 116 on 1 January 2019 to the financial statements of the Home:

	1 January 2019 S$ (As previously reported)	FRS 116 adjustments S$	1 January 2019 S$ (As restated)
Statement of financial position			
Non-current assets			
Property, plant and equipment	3,697,857	1,451,165	5,149,022
Current liabilities			
Lease liabilities	0	198,792	198,792
Non-current liabilities			
Lease liabilities	0	1,252,373	1,252,373

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018, as follows:

	S$
Operating lease commitments as at 31 December 2018	163,938
Add: Account for option to extend the lease	1,440,000
	1,603,938
Less:	
- Adjustments on copier leasing pre-terminated	(4,922)
	1,599,016
Incremental borrowing rate as at 1 January 2019	3.00%
Lease liabilities as at 1 January 2019	1,451,165

2.1.2 Standards issued but not yet effective

The Home has not adopted the following relevant new/revised FRSs, INT FRSs and amendments to FRSs that were issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to References to the Conceptual Framework in FRS Standards	1 January 2020
Amendments to FRS 103: Definition of a Business	1 January 2020
Amendments to FRS 1 and FRS 8 Definition of Material	1 January 2020
Amendments to FRS 109, FRS 39 and FRS 107: Interest Rate Benchmark Reform	1 January 2020
Amendments to FRS 110 and FRS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined
Amendments to FRS 116: Covid 19–Related Rent Concessions	1 June 2020

2. Significant accounting policies (Cont'd)

2.1 Basis of preparation (Cont'd)

2.1.2 Standards issued but not yet effective (Cont'd)

The management believe that the adoption of the revised standards and interpretations do not have material impact on the financial statements in the period of the initial application.

2.2 Income recognition

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

Income is recognised when the Home satisfies a performance obligation by transferring a promised good and 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 income recognised is the amount allocated to the satisfied performance obligation.

2.2.1 Donations

Donations are taken up and accrued as and when they are committed. Those uncommitted donations, income from the events and all income except as listed below, are recognised on receipt basis. Donations-in-kind are recognised when the fair value of the assets received can be reasonably ascertained.

2.2.2 Rendering of services

Revenue from rendering of services is recognised when the services have been performed and rendered.

2.2.3 Interest income

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

2.2.4 Other income

Other income is recognised when received.

2.3 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to the statement of financial activities over the expected useful life of the relevant asset by equal annual instalments.

Where loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional government grant.

2. Significant accounting policies (Cont'd)

2.4 Expenditure recognition

All expenditure is accounted for on accrual basis, aggregated under the respective areas. Direct costs are attributed to the activity where possible, where costs are not wholly attributable to an activity, they are apportioned on a basis consistent with the use of resources.

2.4.1 Cost of charitable activities

Cost of charitable activities comprises all directly attributable costs incurred in the pursuit of the charitable objects of the Home and an apportionment of overhead and shared costs.

2.4.2 Governance and administrative costs

Governance costs include the cost of governance arrangement, which related to the general running of the Home, providing governance infrastructure and ensuring public accountability. These costs include costs related to constitutional and statutory requirements and an apportionment of overhead and shared costs.

2.5 Leases

2.5.1 These accounting policies are applied before the initial application date of FRS 116, 1 January 2019:

(a) As lessee

Finance leases which transfer to the Home substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Home will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2.5.2 These accounting policies are applied on and after the initial application date of FRS 116, 1 January 2019:

The Home 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.

(a) As lessee

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

2. Significant accounting policies (Cont'd)

2.5 Leases (Cont'd)

2.5.2 These accounting policies are applied on and after the initial application date of FRS 116, 1 January 2019: (Cont'd)

(a) As lessee (Cont'd)

<u>Right-of-use assets</u>

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

If ownership of the leased asset transfers to the Home 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 assets are also subject to impairment. The accounting policy for impairment is disclosed in Note 2.10. The Home's right-of-use assets are presented within property, plant and equipment as disclosed in Note 9.

<u>Lease liabilities</u>

At the commencement date of the lease, the Home recognises lease liabilities 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. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Home and payments of penalties for terminating the lease, if the lease term reflects the Home exercising the option to terminate. 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 Home 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 Home's lease liabilities are disclosed in Note 11.

2. Significant accounting policies (Cont'd)

2.5 Leases (Cont'd)

2.5.2 These accounting policies are applied on and after the initial application date of FRS 116, 1 January 2019: (Cont'd)

(a) As lessee (Cont'd)

Short-term leases and leases of low-value assets

The Home applies the short-term lease recognition exemption to its short-term leases of machinery (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense 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 Home shall recognise those lease payments in profit or loss in the periods that triggered those lease payments.

2.6 Employee compensation

2.6.1 Defined contribution plans

The Home makes contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

2.6.2 Employee leave entitlement

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Home has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

2.7 Financial assets

(a) Classification and measurement

The Home classified its financial assets into amortised cost measurement category.

The classification of debt instruments depends on the Home's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial assets.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Home reclassifies debt instruments when and only when its business model for managing those assets changes.

2. Significant accounting policies (Cont'd)

2.7 Financial assets (Cont'd)

(a) Classification and measurement (Cont'd)

At initial recognition

At initial recognition, the Home measures a financial assets 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.

At subsequent measurement

Debt instrument

Debt instruments of the Home mainly comprise of cash and cash equivalents, amount due from brokers and other receivables.

There are three prescribed subsequent measurement categories, depending on the Home's business model in managing the assets and the cash flow characteristic of the assets. The Home managed these group of financial assets by collecting the contractual cash flow and these cash flows represented solely payment of principal and interest. Accordingly, these group of financial assets are measured at amortised cost subsequent to initial recognition.

A gain or loss on a debt investment 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.

(b) Impairment

The Home assesses on forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost.

For cash and cash equivalents, amount due from brokers and other receivables, the general 3 stage approach is applied. Credit loss allowance is based on 12-month expected credit loss if there is no significant increase in credit risk since initial recognition of the assets. If there is a significant increase in credit risk since initial recognition, lifetime expected credit loss will be calculated and recognised.

(c) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Home commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Home has transferred substantially all risks and rewards of ownership.

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

2.8 Cash and cash equivalents

Cash and cash equivalents include cash on hand and deposits with financial institutions, which are subject to an insignificant risk of changes in value.

2. Significant accounting policies (Cont'd)

2.9 Property, plant and equipment

2.9.1 Measurement

All property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any costs that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

2.9.2 Depreciation

Depreciation is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful life as follows:

	Useful lives
Leasehold building	30 years
Furniture and fittings	5 years
Motor vehicle	5 years
Air conditioners	5 years
Medical and rehabilitation equipment	5 years
Office equipment	5 years
Audio visual equipment	5 years
Kitchen equipment	5 years
Renovation	10 years
Right-of-use assets	Over the remaining lease terms

The residual values, useful life and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each reporting period. The effects of any revision are recognised in the statement of financial activities in the financial year in which the changes arise.

2.9.3 Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that have already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Home and the cost of the item can be measured reliably. Other subsequent expenditure is recognised as repairs and maintenance expenses are recognised in the statement of financial activities during the financial year in which it is incurred.

2.9.4 Disposal

On disposal of an item of property, plant and equipment, the difference between the disposals proceeds and its carrying amount is recognised in the statement of financial activities.

Fully depreciated assets still in use are retained in the financial statements.

2. Significant accounting policies (Cont'd)

2.10 Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever there is any indication that these assets may be impaired. If any such indication exists, the recoverable amount (i.e. the higher of the fair value less cost to sell and value in use) of the assets is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of the assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs.

If the recoverable amount of the asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. The impairment loss is recognised in the statement of financial activities.

An impairment loss for an asset is reversed if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for the asset in prior years. A reversal of impairment loss for an asset is recognised in the statement of financial activities.

2.11 Financial liabilities

Financial liabilities are recognised when the Home becomes a party to the contractual agreements of the instrument and are classified according to the substance of the contractual arrangements entered into. All interest related charges are recognised in the statement of financial activities. Financial liabilities includes "Other payables" and "Lease liabilities" on the statement of financial position.

Financial liabilities which are due to be settled within 12 months after the reporting date are presented as current liabilities in the statement of financial position even though the original term was for a period longer than 12 months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting date and before the financial statements are authorised for issue. Other financial liabilities due to be settled more than 12 months after the reporting date are presented as non-current liabilities in the statement of financial position.

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

2.12 Other payables

Other payables excluding accruals, are recognised at their transaction price, excluding transaction cost, if any, both at initial recognition and at subsequent measurement. Transaction costs are recognised as expenditure in the statement of financial activities as incurred. Accruals are recognised at the best estimate of the amount payable.

2. Significant accounting policies (Cont'd)

2.13 Borrowings

Borrowings are initially recognised at their fair values (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and their redemption values is recognised in the income statement over the period of borrowings using the effective interest method.

Borrowings, which are due to be settled within twelve months after the reporting date, are included in current borrowings in the statement of financial position.

2.14 Borrowing costs

All borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss in the period in which they are incurred.

2.15 Provisions for other liabilities and charges

Provisions for other liabilities and charges are recognised when the Home has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

2.16 Funds

Restricted fund balances are restricted by outside sources and may only be utilised in accordance with the purposes for which they are established. Designated funds are earmarked for specific purposes and are largely made up of funds allocated at the discretion of the Management Committee. These designated funds are treated as restricted funds as they contain funds restricted by outside sources.

The Management Committee retains full control over the use of unrestricted funds for any of the Home's purposes.

2.17 Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefit is probable.

2.18 Events after the reporting date

Post year-end events that provide additional information about the Home's position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

3. Significant accounting judgements and estimates

The preparation of the Home's financial statements requires Management to make judgements, estimates and assumptions that affect the reported amounts of income, expenditure, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Judgements made in applying accounting policies

The key critical judgements in applying the entity's accounting policies concerning the future at the reporting 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.

Government grants

Government grants to meet operating expenses are recognised as income in statement of financial activities on the accrual basis in the year these operating expenses were incurred and there is reasonable assurance that the Home will comply with the conditions attached to it. For certain grants, the government agencies reserve the right to withdraw, withhold or reduce the amount of any funds approved but not yet disbursed or to call for the refund of all funds which have been disbursed to the Home if the conditions are not met.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Home based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Home. Such changes are reflected in the assumptions when they occur.

Useful lives of property, plant and equipment

The useful life of an item of property, plant and equipment is estimated at the time the asset is acquired and is based on historical experience with similar assets and takes into account anticipated technological or other changes. If changes occur more rapidly than anticipated or the asset experiences unexpected level of wear and tear, the useful life will be adjusted accordingly. The carrying amount of the Home's property, plant and equipment as at 31 December 2019 were disclosed in Note 9 of the financial statements.

4. Income tax

The Home is a charity registered under the Charities Act since 11 September 1992. Consequently, the income of the Home is exempted from tax under the provisions of Section 13 of the Income Tax Act Cap. 134.

5. Revenue from contracts with customers

a) Disaggregation of revenue from contracts with customers

	Note	2019 S$	2018 S$
Revenue from:			
Donations	6	147,682	73,281
Admission and home fee from residents		886,194	876,075
		1,033,876	949,356
Timing of transfer of services			
- At a point in time		147,682	73,281
- Over time		886,194	876,075
		1,033,876	949,356

(b) Contract liabilities

	2019 S$	2018 S$
Amounts received in advance for home fees	150,162	148,906

(i) Income recognised in relation to contract liabilities

	2019	2018 S$
Revenue recognised in current period that was included in contract liabilities balance at the beginning of the year	5,031	2,690

The contract liabilities relate to the home fees for the unsatisfied performance obligation in providing the shelter services. Revenue will be recognised when the services have been performed and rendered.

There is no significant changes in contract liabilities balances.

(ii) Unsatisfied performance obligations

The Home is applying the practical expedient in the paragraph 121 of FRS 115. Under this practical expedient, the Home need not disclose the information about its transaction price allocated to the remaining performance obligation as the Home recognised revenue from the satisfaction of the performance obligation in accordance to the right to consideration from a customer in an amount that performance obligation is part of a contract that has an original expected duration of one year or less.

6. Donations

	2019 S$	2018 S$
Tax exempt donations	66,481	54,951
Non-tax exempt donations	81,201	18,330
	147,682	73,281

During the financial year, the Home issued tax deductible receipts for donations totalling S$66,481 (2018: S$54,951) pursuant to its Institutions of a Public Character ("IPC") status.

7. Cash and cash equivalents

	2019 S$	2018 S$
Cash on hand	3,264	1,135
Cash at banks	473,788	390,414
Fixed deposits with financial institution	4,134,183	4,096,681
	4,611,235	4,488,230

The fixed deposits mature within 2 to 12 months (2018: 7 to 12 months) from the financial year end and earn interest at rate of 1.10% to 2.34% (2018: 1.20% to 1.55%) per annum.

Fixed deposits are included as cash and cash equivalents as these can be readily converted into cash without incurring significant penalty.

At the reporting date, the carrying amounts of cash and cash equivalents approximate their fair values.

8. Other receivables

	2019 S$	2018 S$
Grant receivable	20,000	19,877
Home fees in arrears	56,434	65,557
Interest receivables on fixed deposits	22,175	20,765
Deposits	61,150	60,351
Prepayments	7,179	9,816
	166,938	176,366

At the reporting date, the carrying amounts of other receivables approximate their fair values.

There is no other class of financial assets that is part due and/or impaired except for home fee receivables.

<u>Home fee receivables that are past due but not impaired</u>

The Home had fee receivables amounting to S$56,434 (2018: S$65,557) that were past due at the reporting date but not impaired at the reporting date was as follows:

	2019 S$	2018 S$
Fee receivables past due but not impaired:		
1 - 30 days	14,499	15,530
31 - 60 days	1,990	8,146
61 - 90 days	0	0
More than 90 days	39,945	41,881
	56,434	65,557

9. Property, plant and equipment

	Leasehold building S$	Furniture & fittings S$	Motor vehicle S$	Air conditioners S$	Medical and rehabilitation equipment S$	Office equipment S$	Audio Visual Equipment S$	Kitchen equipment S$	Renovation S$	Right-of-use assets - land S$	Right-of-use assets - Copier S$	Total S$
Cost												
At 1 January 2018	8,044,565	113,939	37,125	18,150	24,707	5,840	4,553	13,190	837,962	0	0	9,100,031
Additions	0	4,420	0	54,500	0	1,078	2,000	0	0	0	0	61,998
At 31 December 2018	8,044,565	118,359	37,125	72,650	24,707	6,918	6,553	13,190	837,962	0	0	9,162,029
Effects of adopting FRS 116	0	0	0	0	0	0	0	0	0	1,451,165	0	1,451,165
At 1 January 2019, as restated	8,044,565	118,359	37,125	72,650	24,707	6,918	6,553	13,190	837,962	1,451,165	0	10,613,194
Effects of adopting FRS 116	0	0	0	0	0	0	0	0	0	0	12,001	12,001
Additions	0	10,583	0	0	0	1,760	879	0	4,511	0	0	17,733
At 31 December 2019	8,044,565	128,942	37,125	72,650	24,707	8,678	7,432	13,190	842,473	1,451,165	12,001	10,642,928
Accumulated depreciation												
At 1 January 2018	4,737,478	106,832	37,125	15,588	16,422	2,952	1,986	9,229	167,592	0	0	5,095,204
Depreciation	268,152	3,063	0	9,613	1,647	526	773	1,398	83,796	0	0	368,968
At 31 December 2018	5,005,630	109,895	37,125	25,201	18,069	3,478	2,759	10,627	251,388	0	0	5,464,172
Depreciation	268,152	3,508	0	11,430	1,647	645	1,061	1,398	84,022	217,675	2,200	591,738
At 31 December 2019	5,273,782	113,403	37,125	36,631	19,716	4,123	3,820	12,025	335,410	217,675	2,200	6,055,910
Carrying amount												
31 December 2018	3,038,935	8,464	0	47,449	6,638	3,440	3,794	2,563	586,574	0	0	3,697,857
31 December 2019	2,770,783	15,539	0	36,019	4,991	4,555	3,612	1,165	507,063	1,233,490	9,801	4,587,018

10. Other payables

	2019 S$	2018 S$
Accruals	108,384	51,291
Deposits received from residents	111,220	121,600
Tender deposit	1,000	1,000
	220,604	173,891

At the reporting date, the carrying amounts of other payables approximate their fair values.

11. Lease liabilities

	2019 S$	2018 S$
Current	207,943	0
Non-current	1,054,570	0
	1,262,513	0

Amount recognised in profit or loss:	2019 S$
Depreciation of right-of-use assets	219,875
Interest expense on lease liabilities	40,575
Total amount recognised in profit or loss	260,450

Total cash outflow:

The Home had total cash outflows for leases of S$241,228 in 2019.

A reconciliation of liabilities arising from financing activities is as follows:

				Non-cash changes		
	1 January 2019 S$	Additions S$	Cash flows S$	Accretion of interests S$	Other S$	31 December 2019 S$
Liabilities						
Lease liabilities						
- current	198,792	1,861	(241,228)	40,575	207,943	207,943
- non-current	1,252,373	10,140	0	0	(207,943)	1,054,570

12. Deferred capital grants and donations

	2019 S$	2018 S$
Cost		
At beginning and end of financial year	8,044,565	8,044,565
Accumulated amortisation		
At beginning of financial year	5,005,541	4,737,389
Amortisation during the year	268,152	268,152
At end of financial year	5,273,693	5,005,541
Carrying value	2,770,872	3,039,024

The deferred capital grants related to capital funding received from Ministry of Social and Family Development (MSF), formerly known as Ministry of Community Development, Youth and Sports (MCYS) from year 1997 to 1999 for a sum of S$7,099,784 being 90% of the construction cost of the Home's building. The balance of S$944,781 of the construction cost was obtained from donations solicited from the public from year 1995 to 1997.

Deferred capital grants and donations are systematically amortised to the statement of financial activities over the estimated useful life of the Home's building which is 30 years.

13. General Fund

The General Fund is for the purpose of meeting operating expenses incurred by the Home.

14. Building Fund

This represents restricted fund that is set-up for the expansion of the space of the building.

15. Cyclical Maintenance Fund

This represents restricted fund that is set-up for cyclical maintenance for the Home.

16. Related party transactions

The remuneration of key management personnel during the financial year was as follows:

	2019 S$	2018 S$
Executive's remuneration:		
Salaries and other short-term employee benefits	60,500	49,400
Post-employment benefits – contributions to CPF	10,285	3,705
	70,785	53,105

None of the Home's employees were remunerated more than or equal to S$100,000 during the financial years ended 31 December 2019 and 2018.

During the financial year, none of the Management Committee members received any remuneration from the Home.

17. Operating lease commitments

The Home leases land and office equipment from non-related parties under non-cancellable operating lease agreements. These leases have renewal rights.

The future minimum rental payable under non-cancellable operating leases contracted for at the end of the reporting period but not recognised as liabilities are as follows:

	2019 S$	2018 S$
Not later than one year	0	161,584
Later than one year but not later than five years	0	2,354
	0	163,938

As disclosed in Note 2.1.1, the Home has adopted FRS 116 on 1 January 2019. These lease payments have been recognised as right-of-use assets and lease liabilities in the statement of financial position as at 31 December 2019.

18. Financial instruments by category

The aggregate carrying amounts of financial assets and financial liabilities at amortised costs are as follows:

	2019 S$	2018 S$
Financial assets, at amortised cost		
Cash and cash equivalents	4,611,235	4,488,230
Other receivables (excluding prepayments)	159,759	166,550
	4,770,994	4,654,780
Financial liabilities, at amortised cost		
Other payables	220,604	173,891
Lease liabilities	1,262,513	0
	1,483,117	173,891

19. Financial risk management

The Home is mainly exposed to interest rate risk, credit risk and liquidity risk.

Risk management is carried out under policies approved by the Management Committee. The Management Committee reviews and agrees on policies and procedures for management of these risks.

19.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Home's financial instruments will influence because of changes in market interest rates. The Home's exposure to interest rate risk arises primarily from their cash and cash equivalents and borrowings.

The Home does not expect any significant effect on the Home's profit or loss arising from the effects of reasonably possible changes to interest rates on interest bearing financial instruments at the end of the financial year.

19. Financial risk management (Cont'd)

19.1 Interest rate risk (Cont'd)

Sensitivity analysis for interest rate risk

At the reporting date, the interest rate profile of the Home's interest-bearing financial instruments was as follows:

	2019 S$	2018 S$
Fixed rate instruments		
Financial assets		
Fixed deposits	4,134,183	4,096,681
Financial liabilities		
Lease liabilities	1,262,513	0

The sensitivity analysis is based on changes in the interest rates of variable rate financial instruments.

At the reporting date, the Home does not have variable rate interest-bearing financial instruments.

19.2 Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligation, resulting in financial loss to the Home.

The Home has minimal exposure to credit risks due to the nature of its activities.

Risk management

The Home adopts the following policy to mitigate the credit risk.

For banks and financial institutions, the Home mitigates its credit risks by transacting only with a counterparty who are rated "A" and above by independent rating agencies.

For other parties, the Home manages its credit risk by ensuring that the counterparty has sufficient financial assets and other committed credit lines to settle its financial and contractual obligations to the Home, as when they fall due.

The Home has no significant concentration of credit risk.

Impairment of financial assets

The Home does not expect to incur material credit losses on their risk management of financial assets.

Financial assets that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Other receivable are neither past due nor impaired are with creditworthy debtors with good payment record with the Home.

There is no credit loss allowance provided as at 31 December 2019 and 31 December 2018.

19. Financial risk management (Cont'd)

19.3 Liquidity risk

Liquidity risk is the risk that the Home will encounter difficulty in meeting its financial obligations due to shortage of funds. The Home exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets or liabilities.

Management Committee monitors and ensures that the Home maintains a level of cash and cash equivalents deemed adequate to finance the Home's operations.

The table below summarises the maturity profile of the Home's financial assets and liabilities at the end of the reporting period based on the contractual undiscounted repayment obligations:

2019	Within one year S$	Later than one year but not later than five years S$	Total S$
Financial assets			
Cash and cash equivalents	4,611,235	0	4,611,235
Other receivables (excluding prepayments)	159,759	0	159,759
	4,770,994	0	4,770,994
Financial liabilities			
Other payables	(220,604)	0	(220,604)
Lease liabilities	(242,414)	(1,128,526)	(1,370,940)
	(463,018)	(1,128,526)	(1,591,544)
Net financial assets	4,307,976	(1,128,526)	3,179,450

2018	Within one year S$	Later than one year but not later than five years S$	Total S$
Financial assets			
Cash and cash equivalents	4,488,230	0	4,488,230
Other receivables (excluding prepayments)	166,550	0	166,550
	4,654,780	0	4,654,780
Financial liability			
Other payables	(173,891)	0	(173,891)
Net financial assets	4,480,889	0	4,480,889

20. Fund management policy

The primary objective of the Home is to ensure it maintains sufficient cash in order to support its activities. Its approach to fund management is to balance the allocation of cash and the incurrence of debt. Available cash is deployed primarily to cover operational requirements.

21. Reserve position and policy

The Home's reserve position (excluding non-current assets) for financial year ended 31 December 2019 is as follows:

		2019	2018	Increase/ (decrease)
		S$'000	S$'000	%
A	Unrestricted Fund			
	General Fund	4,046	4,086	(0.98)
B	Restricted Funds			
	Building Fund	161	161	0
	Cyclical Maintenance Fund	754	754	0
C	Endowment Fund	N/A	N/A	N/A
D	Total Funds	4,961	5,001	(0.80)
E	Total Annual Operating Expenditure	1,649	1,522	0.08
F	Ratio of Funds to Annual Operating Expenditure (A/E)	2.45	2.68	

Reference:

C. An endowment fund consists of assets, funds or properties, which are held in perpetuity, which produce annual income flow for a foundation to spend as grants.
D. Total Funds include unrestricted, restricted/ designated and endowment funds.
E. Total Annual Operating Expenditure includes expenses related to Cost of Charitable Activities and Governance and Administrative Costs.

The Home's Reserve Policy is as follows:

The maximum operating reserves for the Home shall be three (3) years of the amount of the annual operating expenditure.

22. Fair values

As at 31 December 2019, the carrying amounts of financial assets and liabilities recorded in the financial statements of the Home approximate their fair values due to their short-term nature.

23. Management of conflict of interest

There is no paid staff in the Home's Management Committee.

Management Committee members are required to disclose any interest that they may have, whether directly or indirectly, that the Home may enter into or in any organisations that the Home has dealings with or is considering dealing with; and any personal interest accruing to him as one of the Home's supplier, user of services or beneficiary. Should there be any potential conflict of interest, the affected Home's Management Committee members may not vote on the issue that was the subject matter of the disclosure. Detailed minutes will be taken on the disclosure as well as the basis for arriving at the final decision in relation to the issue at stake.

24. Comparative figures

Certain reclassifications have been made to the comparative information to enhance comparability with current year's financial statements. Since the amounts are reclassifications within the statement of financial activities, this reclassification did not have any effect on the statement of financial position and cash flows.

The following reclassification were made:-

	As previously reported S$	Reclassification S$	As reclassified S$
2018			
Statement of Financial Activities			
Income from generating funds			
Public assistance allowances	22,450	(22,450)	0
Income from charitable activities			
Admission and home fee from residents	876,075	22,450	898,525

25. Events occurring after the reporting period

An outbreak of COVID-19 (Coronavirus Disease 2019) had been reported in China on 31 December 2019. At the date of these financial statements, while the outbreak has been most severe in Asia, it has spread to various regions around the world, including Australia, Europe, Middle East and the United States of America. While the full impact to the Home cannot be quantified reliably, the Home's performance subsequent to the reporting period is likely to be negatively impacted as a result of regional and global travel restrictions, quarantine and/or illness of employees, loss of customers, supply chain disruptions, and other forms of interruptions to business.

26. Authorisation of financial statements

The financial statements for the financial year ended 31 December 2019 were authorised for issue in accordance with a resolution of the Management Committee on 0 8 OCT 2020