

THE SALVATION ARMY, SINGAPORE

Unique Entity Number: T07CC3012G

AUDITED FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

THE SALVATION ARMY, SINGAPORE

STATEMENT BY THE TERRITORIAL MANAGEMENT BOARD AND AUDITED FINANCIAL STATEMENTS
for the financial year ended 31 March 2020

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THE SALVATION ARMY, SINGAPORE

STATEMENT BY THE TERRITORIAL MANAGEMENT BOARD
for the financial year ended 31 March 2020

In the opinion of the Territorial Management Board,

- (a) the accompanying financial statements are drawn up in accordance with the provisions of the Salvation Army Ordinance (Chapter 377), Charities Act (Chapter 37) and other relevant regulations, and the Charities Accounting Standard so as to give a true and fair view of the financial position of The Salvation Army, Singapore (the "Organisation") as at 31 March 2020 and the results and cash flows of the Organisation for the financial year then ended; and
- (b) at the date of this statement there are reasonable grounds to believe that the Organisation will be able to pay its debts as and when they fall due.

The Territorial Management Board approved and authorised the issue of these financial statements.

On behalf of the Territorial Management Board



.....
Colonel Rodney Steven Walters
Territorial Commander



.....
Lieut-Colonel Hary Haran M V Ramasamy
Chief Secretary

Signed on: 16 September 2020

**INDEPENDENT AUDITOR'S REPORT TO THE TERRITORIAL MANAGEMENT BOARD OF
THE SALVATION ARMY, SINGAPORE**

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Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Salvation Army, Singapore (the "Organisation"), which comprise the statement of financial position as at 31 March 2020, the statement of financial activities 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 Salvation Army Ordinance (Chapter 377), Charities Act (Chapter 37) (the "Act") and other relevant regulations, and the Charities Accounting Standard ("CAS") so as to give a true and fair view of the financial position of the Organisation as at 31 March 2020 and of the results and cash flows of the Organisation for the year ended on that date.

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

Independence

We are independent of the Organisation 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.

Other Information

The Territorial Management Board is responsible for the other information. The other information comprises the information included in the Statement by the Territorial Management Board and 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 express any form of assurance conclusion thereon.

**INDEPENDENT AUDITOR'S REPORT TO THE TERRITORIAL MANAGEMENT BOARD OF
THE SALVATION ARMY, SINGAPORE**

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Other Information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available 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.

Responsibilities of the Territorial Management Board for the Financial Statements

The Territorial Management Board is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and CAS, 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, the Territorial Management Board is responsible for assessing the Organisation'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 the Territorial Management Board intends to cease operations, or has no realistic alternative but to do so.

The Territorial Management Board's responsibilities include overseeing the Organisation's financial reporting process.

The Territorial Management Board is also responsible for ensuring that the 30% cap in regulation 15 of the Charities (Institutions of a Public Character) Regulations has not been exceeded.

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.

**INDEPENDENT AUDITOR'S REPORT TO THE TERRITORIAL MANAGEMENT BOARD OF
THE SALVATION ARMY, SINGAPORE**

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

As part of an audit in accordance with SSAs, we exercise professional judgment 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 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 Organisation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Territorial Management Board.
- Conclude on the appropriateness of the Territorial Management Board'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 Organisation'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 Organisation 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 Territorial Management Board 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.

**INDEPENDENT AUDITOR'S REPORT TO THE TERRITORIAL MANAGEMENT BOARD OF
THE SALVATION ARMY, SINGAPORE**

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Report on Other Legal and Regulatory Requirements

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

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

- (a) The use of the donation monies was not in accordance with the objectives of the Organisation as required under regulation 11 of the Charities (Institutions of a Public Character) Regulations; and
- (b) The Organisation has not complied with the requirements of regulation 15 of the Charities (Institutions of a Public Character) Regulations.

Ardent Associates LLP

ARDENT ASSOCIATES LLP
Public Accountants and
Chartered Accountants
Singapore

16 September 2020

THE SALVATION ARMY, SINGAPORE

STATEMENT OF FINANCIAL ACTIVITIES
for the financial year ended 31 March 2020

	Note	2020				2019
		Unrestricted funds S\$	Capital contribution funds S\$	Designated funds S\$	Restricted funds S\$	Total S\$
Income						
Income from generated funds						
Voluntary income						
- Donations	4	5,478,039	-	-	-	7,451,964
- Tithes and offerings		976,530	-	6,060	-	1,120,702
Activities for generating funds						
- Fundraising		183,627	-	-	217,053	199,640
- Wholesale and retail income		5,677,058	-	-	-	5,499,629
- Rental fees		1,426,265	-	194,390	-	1,809,070
- Sundry revenue		250	-	-	-	40
Investment income	5	597,447	-	1,571,630	-	1,689,421
Income from charitable activities						
Programme fees		6,798,628	-	-	-	6,631,972
Funding from government		15,901,284	-	5,001,489	3,725,173	16,483,352
Community Chest Funding		-	-	-	499,183	196,766
Sundry revenue		98,061	-	-	-	357,543
Other income						
Administrative support fees from related party		-	-	-	-	2,119,798
Tithes and levies from related parties		-	-	-	-	133,502
Others	6	1,081,677	-	91,279	-	1,024,802
Total income		38,218,866	-	6,864,848	4,441,409	44,718,201
						49,525,123

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

THE SALVATION ARMY, SINGAPORE

STATEMENT OF FINANCIAL ACTIVITIES
for the financial year ended 31 March 2020

	Note	2020				2019	
		Unrestricted funds S\$	Capital contribution funds S\$	Designated funds S\$	Restricted funds S\$	Total S\$	Total S\$
Expenditures							
Cost of generating funds							
Costs of generating voluntary income							
- Manpower costs	7	209,199	-	-	-	209,199	196,718
- Other administrative costs	8	384,390	-	-	-	384,390	363,741
- Depreciation of property, plant and equipment		-	12,901	-	-	12,901	12,152
- Property maintenance costs		-	-	11,516	-	11,516	18,775
Costs of generating income							
- Manpower costs	7	3,938,619	-	12,779	-	3,951,398	3,614,883
- Wholesale and retail costs		840,085	-	-	-	840,085	870,982
- Depreciation of property, plant and equipment		-	94,913	-	-	94,913	143,242
- Property maintenance costs		524,823	-	738,132	-	1,262,955	1,453,679
- Other fundraising costs		96,274	-	-	56,857	153,131	124,914
Investment costs							
- Investment management costs	9	44,414	207,905	605,394	-	857,713	1,460,670
- Property maintenance costs		-	-	233,138	-	233,138	320,084
Costs of charitable activities							
Manpower costs	7						
- Medical programmes		9,322,667	-	167,934	-	9,490,601	9,361,821
- Children's home		3,348,837	-	35,741	1,434,453	4,819,031	4,419,879
- Child care centers		2,109,533	-	-	-	2,109,533	2,309,464
- Other social services		1,777,265	-	68,225	407,160	2,252,650	1,691,778
- Evangelical and outreach ministries		1,792,447	-	11,938	-	1,804,385	2,109,027
Other costs							
- Assistance to other countries		45,605	-	-	-	45,605	1,160,499
- Depreciation of property, plant and equipment		-	2,621,312	-	-	2,621,312	2,179,647
- Property maintenance costs		1,157,463	-	2,630,452	126,448	3,914,363	4,177,028
- Operating costs	10	8,428,405	-	1,981,273	289,820	10,699,498	9,094,489
- Other administrative costs	8	64,976	-	-	1,657	66,633	53,663

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

THE SALVATION ARMY, SINGAPORE

STATEMENT OF FINANCIAL ACTIVITIES
for the financial year ended 31 March 2020

	Note	2020				2019
		Unrestricted funds S\$	Capital contribution funds S\$	Designated funds S\$	Restricted funds S\$	Total S\$
Governance costs						
Manpower costs	7	4,646,136	-	264,712	-	4,910,848
Professional fee - audit		155,256	-	-	7,058	162,314
International headquarters administrative costs		25,779	-	-	-	25,779
Depreciation of property, plant and equipment		-	576,408	-	-	576,408
Amortisation of intangible assets	12	-	1,007,699	-	-	1,007,699
Property maintenance costs		1,082	-	300,996	-	302,078
Other administrative costs	8	726,488	-	85,321	1,783	813,592
Other expenses		-	-	-	-	6,641
Total expenditures		39,639,743	4,521,138	7,147,551	2,325,236	53,633,668
(Deficit)/Surplus for the year		(1,420,877)	(4,521,138)	(282,703)	2,116,173	(7,852,929)
Transfers between funds		(3,819,368)	9,469,395	92,505	(5,742,532)	-
Net movement in funds and reserves		(5,240,245)	4,948,257	(190,198)	(3,626,359)	(7,852,929)
Reconciliation of funds and reserves						
Total funds and reserves brought forward		17,652,715	49,022,125	51,817,274	6,626,710	132,971,753
Total funds and reserves carried forward		12,412,470	53,970,382	51,627,076	3,000,351	125,118,824

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

THE SALVATION ARMY, SINGAPORE

STATEMENT OF FINANCIAL POSITION

as at 31 March 2020

	<u>Note</u>	<u>2020</u> S\$	<u>2019</u> S\$
<u>Assets</u>			
Non-current assets			
Property, plant and equipment	11	52,842,666	47,551,779
Intangible assets	12	1,019,793	1,345,688
Investment property	13	107,923	124,658
Investments in financial assets	14	<u>38,255,021</u>	<u>39,693,706</u>
		<u>92,225,403</u>	<u>88,715,831</u>
Current assets			
Investments in financial assets	14	2,489,097	495,060
Trade and other receivables	15	6,843,458	3,717,260
Fixed deposits	16	15,459,100	20,406,314
Cash	17	<u>11,780,946</u>	<u>18,573,109</u>
		<u>36,572,601</u>	<u>43,191,743</u>
Total assets		<u>128,798,004</u>	<u>131,907,574</u>
<u>Liabilities</u>			
Current liabilities			
Trade and other payables	18	7,041,767	6,200,146
Provisions	19	<u>745,958</u>	<u>588,604</u>
Total liabilities		<u>7,787,725</u>	<u>6,788,750</u>
Net assets		<u>121,010,279</u>	<u>125,118,824</u>
Represented by:			
<u>Funds and reserves</u>			
Capital contribution funds	20	53,970,382	49,022,125
Designated funds	21	51,627,076	51,817,274
Restricted funds	22	3,000,351	6,626,710
Unrestricted funds		<u>12,412,470</u>	<u>17,652,715</u>
Total funds and reserves		<u>121,010,279</u>	<u>125,118,824</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

THE SALVATION ARMY, SINGAPORE

STATEMENT OF CASH FLOWS

for the financial year ended 31 March 2020

	<u>Note</u>	<u>2020</u> S\$	<u>2019</u> S\$
Cash flows from operating activities			
Deficit for the year		(4,108,545)	(7,852,929)
Adjustments for:			
Bad debts written off		-	23,836
Dividend and interest income		(1,564,015)	(1,519,757)
Depreciation of investment property		16,735	16,735
Depreciation of property, plant and equipment		3,496,704	3,265,121
Amortisation of intangible assets		1,007,698	962,470
Gain on disposal of property, plant and equipment		(40,353)	(138,200)
(Gain)/Loss on disposal of investments in financial assets		(387,289)	957,058
Provision for unconsumed leave		157,354	(22,567)
Operating cash flows before changes in working capital		(1,421,711)	(4,308,233)
Restricted cash		120,463	(410,259)
Trade and other receivables		(3,226,207)	(1,046,086)
Trade and other payables		841,621	1,934,475
Net cash flows used in operating activities		<u>(3,685,834)</u>	<u>(3,830,103)</u>
Cash flows from investing activities			
Movement in fixed deposits		4,947,214	11,743,575
Purchase of property, plant and equipment		(8,751,238)	(7,472,143)
Purchase of intangible assets		(681,803)	(222,809)
Proceeds from disposal of property, plant and equipment		4,000	-
Purchase of investments in financial assets		(228,651,750)	(295,885,246)
Proceeds from disposal of investments in financial assets		229,147,171	294,962,883
Capital distribution/Change in investment portfolio		(663,484)	(2,165,011)
Dividends and interest received		1,664,024	1,472,544
Net cash flows (used in)/generated from investing activities		<u>(2,985,866)</u>	<u>2,433,793</u>
Net decrease in cash		(6,671,700)	(1,396,310)
Cash at beginning of financial year		17,714,871	19,111,181
Cash at end of financial year	17	<u>11,043,171</u>	<u>17,714,871</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

THE SALVATION ARMY, SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

1. General information

The Salvation Army, Singapore (the "Organisation") was constituted as a corporation in Singapore under the Statutes of the Republic of Singapore, Salvation Army Ordinance (Chapter 377). The Organisation is registered as an exempt charity under the Charities Act (Chapter 37) and domiciled in Singapore. The registered address of the Organisation is at 20 Bishan Street 22, Singapore 579768.

The Salvation Army, Singapore is organised for administrative purposes into two units, which are described below:

(i) General Fund, Singapore

The General Fund deals mainly with the activities for generating funds, Christian education and activities, and all headquarters matters not specifically included in Social Fund, which includes undertaking the functions of an owner of property and deals with all transactions relating to the properties owned by the Organisation.

(ii) Social Fund, Singapore

The Social Fund deals with the social operations of the Organisation which has been conferred the Institutions of a Public Character status. Accordingly, qualifying donors are granted tax deduction for donations made by them to the Social Fund.

The Organisation provides Christian education and activities through its Corps.

The Organisation also provides:

- nursing home;
- residential homes for children and young people at risk;
- ministry to troubled young people;
- day care centres for children and the elderly;
- food for families;
- counselling services;
- prison support services;
- fostering agency services;
- outreach programme for male migrant workers; and
- residential care programme for foreign domestic workers in distress.

The Organisation operates the Red Shield Industries which sells mainly donated goods at an affordable price.

There have been no significant changes in the nature of the Organisation's activities during the year.

The financial statements of the Organisation for the current financial year were approved and authorised for issue by the Territorial Management Board on the date of the Statement by the Territorial Management Board.

THE SALVATION ARMY, SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Fund have been prepared in accordance with the Singapore Charities Accounting Standard ("CAS"). The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore dollars ("S\$" or "SGD"), and all values in the financial information disclosed therein are presented in units, unless otherwise stated.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year.

2.3 Income recognition

Income is recognised in the Statement of Financial Activities when:

- the Organisation becomes entitled to the Income;
- the Territorial Management Board is virtually certain that the Organisation will receive the income; and
- the monetary value can be measured with sufficient reliability.

Income from generated funds

a) Voluntary income

The Organisation's voluntary income comprises cash donations, donations-in-kind, legacies, tithes and offerings:

- Cash donations are recognised when the Organisation has an unconditional entitlement to the receipts;
- Donations-in-kind are recognised when such donation can be estimated with sufficient reliability and are based on a reasonable estimate of their value to the Organisation, which approximates the open market value for similar items;
- Legacies are recognised when the Organisation has sufficient certainty that the income will be received; and
- Tithes and offerings are recognised upon receipt.

b) Activities for generating funds

This is mainly made up of fundraising income, wholesale and retail income, rental fees and sundry revenue:

- Fundraising income relates to proceeds from fundraising events and appeals held by the Organisation and is recognised on cash basis;
- Wholesale and retail income is from selling donated goods;

THE SALVATION ARMY, SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

- Rental fees are from letting of the properties held primarily for functional use of the Organisation but temporarily not used for operational purposes. This is recognised on a straight-line basis over the period of the lease; and
- Sundry revenue mainly consists of utilities charges to external tenants and sale of scrap materials.

c) Investment income

Investment income comprises dividends, interest and rents and is recognised by the Organisation when receivable:

- Interest income from bank deposits and bonds is accrued on a time apportionment basis;
- Dividend income is recognised when the Organisation's right to receive payment is established; and
- Rental income arising from operating lease on investment property held by the Organisation is accounted for on a straight-line basis over the lease term.

Income from charitable activities

a) Programme fees

These are programme fees for the provision of services by the Organisation to beneficiaries.

b) Funding from government

Government subventions are recognised where there is a reasonable assurance that the subventions will be received and all attached conditions has been complied with.

c) Community Chest Funding

Community Chest Funding is funding received to support the Organisation for the provision of social service programmes (namely, the Prison Support Services – Kids In Play) to help children with special needs. The funding is recognised when it is received and ring-fenced as restricted funds.

Other income

This income mainly comprises government grants under the Jobs Support Scheme, and the Wage Credit and Special Employment Credit schemes. Government grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

THE SALVATION ARMY, SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

2.4 Expenditures

All expenditures are accounted for on an accrual basis and have been classified under headings that aggregate all costs related to that activity.

Costs of generating funds

These are costs associated with generating income from all sources other than from undertaking charitable activities. The cost in this category comprises cost of generating voluntary income, cost of fundraising events and appeals, and investment management costs.

Costs of charitable activities

Costs of charitable activities comprise all costs incurred by the Organisation in providing residential care, health care and community services, day care for children, and Christian education including direct manpower costs, assistance to other countries, property maintenance costs, operating and administrative costs.

Governance costs

Governance costs comprise all costs attributable to the general running of the Organisation in providing the governance infrastructure and in ensuring public accountability.

2.5 Employee benefits

Defined contribution plan

The Organisation 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 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Cost includes its purchase price and any cost that is directly attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Organisation.

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 Organisation and the cost of the item can be measured reliably. The Organisation's policy is to capitalise assets that cost more than S\$10,000.

Repair, maintenance and renovation costs for properties not owned by the Organisation are charged to the statement of financial activities as incurred.

Freehold land has an unlimited useful life and therefore is not depreciated.

THE SALVATION ARMY, SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

Property, plant and equipment are subsequently measured at cost less accumulated depreciation and are depreciated using straight-line method to write-off the cost of the assets over their estimated useful lives as follows:

Freehold building	-	30 years
Leasehold land and building	-	Unexpired terms of the lease or 30 years, whichever is shorter
Motor vehicles	-	5 years
Equipment and software	-	5 years

The estimated useful life, depreciation method and residual values are reviewed periodically, at least annually, and adjusted prospectively, if there is a change in estimate.

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

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 on de-recognition of the asset is included in the statement of financial activities in the year the asset is derecognised.

Assets under construction

Assets under construction mainly refer to freehold and leasehold building improvement in progress.

Assets under construction are reclassified to the appropriate category of property, plant and equipment when complete and ready for use. Assets under construction are not depreciated as these assets are not yet available for use.

2.7 Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Computer software

Where computer software is not integrally related to associated hardware, they are recognised as an intangible asset provided they are clearly identifiable, can be readily measured and it is probable they will lead to future economic benefits that the Organisation controls. The Organisation carries capitalised computer software assets at cost less amortisation and any impairment losses. These assets are amortised over the estimated useful lives of the computer software (5 years) on a straight line basis. Computer software maintenance costs are expensed as incurred. Any impairment loss is recognised in the statement of comprehensive income when incurred.

THE SALVATION ARMY, SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

2.8 Investment property

Investment property is held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business.

Investment property is initially recorded at cost. The cost of a purchased investment property comprises its purchase price and any directly attributable costs.

The cost of an investment property is recognised as an asset if, and only if, it is probable that future economic benefits associated with the investment property will flow to the Organisation and the cost can be measured reliably. Any day-to-day servicing of an investment property is recognised as expenditures in the statement of financial activities in the period in which the costs are incurred.

Investment property is subsequently measured at cost less accumulated depreciation and any impairment losses. Investment property is depreciated over 30 years on a straight-line basis.

2.9 Investments in financial assets

Investments in financial assets are investments in equities and debt securities as well as cash held for investment purposes.

Investments in financial assets are recognised as an asset only when the Organisation becomes a party to the contractual provisions of the instrument and are initially measured at cost. Cost of investments in financial assets is the transaction price excluding transaction costs, if any. Transaction costs are recognised as expenditure in the Statement of Financial Activities as incurred.

Investments in financial assets are measured subsequently at cost less any impairment losses.

2.10 Trade and other receivables

Trade and other receivables excluding prepayments are initially recognised at their transaction price, excluding transaction costs, if any. Transaction costs are recognised as expenditures in the Statement of Financial Activities as incurred. Prepayments are initially recognised at the amount paid in advance for the economic resources expected to be received in the future.

After initial recognition, trade and other receivables excluding prepayments are measured at cost less any accumulated impairment losses. Prepayments are measured at the amount paid less the economic resources received or consumed during the financial year.

2.11 Cash

Cash comprises cash on hand and at bank, demand deposits and short-term deposits which are subject to an insignificant risk of changes in value. For the purpose of statement of cash flows, cash excludes restricted cash.

2.12 Trade and other payables

Trade and other payables excluding accruals are recognised at their transaction price, excluding transaction costs, if any, both at initial recognition and at subsequent measurement. Transaction costs are recognised as expenditures in the Statement of Financial Activities as incurred. Accruals are recognised at the best estimate of amount payable.

THE SALVATION ARMY, SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

2.13 Funds and reserves

a) Capital contribution funds

These represent funds set up to meet costs relating to property, plant and equipment.

b) Designated funds

These are funds specifically set aside to meet operational plans or anticipated needs.

c) Restricted funds

These are donations and grants held for restricted purposes as specified by the donors or grantors.

d) Unrestricted funds

This is for the working capital of the Organisation.

2.14 Taxes

Goods and services tax ("GST")

Income, expenditures and assets are recognised net of the amount of GST except:

- Where the GST incurred on a purchase of goods or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the financial position.

2.15 Leases

As lessor

Rental income from an operating lease is recognised on a straight-line basis over the period of the lease, even if the payments are not made on such a basis. The aggregate cost of lease incentives, if any, is recognised as a reduction over the lease term.

As lessee

The lease payments under an operating lease are recognised on a straight-line basis over the lease term even if the payments are not made on such a basis.

THE SALVATION ARMY, SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

2.16 Provisions

Provisions are recognised only when a present obligation (legal or constructive) exists as a result of a past event, it is probable that a transfer of economic benefits in settlement will be required, and the amount of the obligation can be estimated reliably.

The provision in the Organisation's statement of financial position refers to estimated liability for unconsumed leave. Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

3. Significant accounting judgments and estimates

The preparation of the Fund's financial statements in conformity with CAS requires the Territorial Management Board to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of income, expenditures, assets and liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods. The Territorial Management Board is of the opinion that there are no significant accounting judgments made in applying accounting policies and no estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

4. Tax-deductible donation receipts

The Organisation enjoys concessionary tax treatment whereby qualifying donors are granted tax deductions for the donations made to the Organisation. This status is effective for the period from 1 July 2016 to 30 June 2019 under the Institutions of a Public Character Scheme. This status has been renewed for an additional three years to 30 June 2022.

There were no fundraising appeals held by the Organisation with gross receipts exceeding S\$1 million in the current and previous financial years.

Included in the donation income recognised in the statement of financial activities is the following amount of tax-deductible donation receipts:

	<u>2020</u>	<u>2019</u>
	S\$	S\$
Total value of tax-deductible receipts issued	<u>4,964,837</u>	<u>7,321,568</u>

THE SALVATION ARMY, SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

5. Investment income

	<u>2020</u> S\$	<u>2019</u> S\$
Dividend income	180,335	150,328
Interest income		
- Bank	329	435
- Bonds	964,706	887,272
- Fixed and short-term deposits	418,645	481,722
Gain on disposal of investments in financial assets	387,289	-
Realised gain on foreign exchange	73,341	90,207
Property related income	144,432	79,457
	<u>2,169,077</u>	<u>1,689,421</u>

6. Others

	<u>2020</u> S\$	<u>2019</u> S\$
Gain on disposal of property, plant and equipment	40,353	138,200
Goods and Services Tax recovered	592,445	261,083
Wage Credit and Special Employment schemes	419,964	520,404
Training funding from government	49,586	51,766
Others	70,608	53,349
	<u>1,172,956</u>	<u>1,024,802</u>

THE SALVATION ARMY, SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 March 2020

7. Manpower costs

	<u>Costs of generating voluntary income</u> S\$	<u>Costs of generating income</u> S\$	<u>Costs of charitable activities</u> S\$	<u>Governance costs</u> S\$	<u>Total</u> S\$
<u>2020</u>					
Employees' salaries and bonuses	176,098	3,028,486	14,250,780	3,763,908	21,219,272
Central Provident Fund contributions	26,976	405,572	1,710,203	435,792	2,578,543
Other short-term benefits	5,725	124,771	1,715,374	583,981	2,429,851
Contract manpower services	400	392,569	2,799,843	127,167	3,319,979
	<u>209,199</u>	<u>3,951,398</u>	<u>20,476,200</u>	<u>4,910,848</u>	<u>29,547,645</u>
<u>2019</u>					
Employees' salaries and bonuses	166,704	2,798,835	14,183,822	2,920,206	20,069,567
Central Provident Fund contributions	25,399	377,797	1,860,372	412,966	2,676,534
Other short-term benefits	4,615	74,242	2,520,413	753,738	3,353,008
Contract manpower services	-	364,009	1,327,362	130,252	1,821,623
	<u>196,718</u>	<u>3,614,883</u>	<u>19,891,969</u>	<u>4,217,162</u>	<u>27,920,732</u>

Manpower costs under costs of charitable activities are the aggregate of the manpower costs for medical programmes, children's homes, child care centres, other social services and evangelical and outreach ministries.

THE SALVATION ARMY, SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 March 2020

8. Other administrative costs

	<u>Costs of generating voluntary income</u> S\$	<u>Costs of charitable activities</u> S\$	<u>Governance costs</u> S\$	<u>Total</u> S\$
<u>2020</u>				
Appeals materials	286,373	-	-	286,373
Assistance - officers	-	-	10,264	10,264
Assistance to clients and families	-	-	3,832	3,832
Cleaning contractor	-	-	4,382	4,382
Insurance	717	53,403	33,865	87,985
Food and refreshment	216	-	61,633	61,849
Fundraising and related materials	174	-	-	174
Maintenance of equipment and furnishings	168	-	47,724	47,892
Maintenance of vehicle	-	-	42,860	42,860
Non-property licence and insurance	6,418	5,719	98,850	110,987
Postage and communications	11,835	-	36,753	48,588
Printing and stationery	10,536	-	49,850	60,386
Professional and support fees	-	2,000	8,009	10,009
Rental of equipment and furnishings	916	-	89,263	90,179
Transportation service fees	-	-	20,148	20,148
Special meeting	-	-	46,235	46,235
Staff training	-	-	922	922
Transaction fees and charges	64,110	1,624	47,577	113,311
Transportation costs	1,738	-	102,323	104,061
Utilities	1,187	-	33,688	34,875
Other expenses	2	3,887	75,414	79,303
	<u>384,390</u>	<u>66,633</u>	<u>813,592</u>	<u>1,264,615</u>
<u>2019</u>				
Appeals materials	98,233	-	-	98,233
Assistance - officers	-	-	97,773	97,773
Insurance	958	40,861	16,198	58,017
Fundraising and related materials	3,727	-	6,479	10,206
Maintenance of equipment and furnishings	2,275	-	103,570	105,845
Maintenance of vehicle	-	-	38,706	38,706
Non-property licence and insurance	5,562	2,782	80,666	89,010
Postage and communications	158,262	-	7,898	166,160
Printing and stationery	21,767	-	69,605	91,372
Professional and support fees	-	867	17,024	17,891
Rental of equipment and furnishings	911	-	15,967	16,878
Staff training	-	-	212,479	212,479
Transaction fees and charges	67,373	6,393	31,600	105,366
Travelling	2,485	-	97,630	100,115
Utilities	1,144	-	22,343	23,487
Other expenses	1,044	2,760	14,798	18,602
	<u>363,741</u>	<u>53,663</u>	<u>832,736</u>	<u>1,250,140</u>

THE SALVATION ARMY, SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

9. Investment management costs

	<u>2020</u>	<u>2019</u>
	S\$	S\$
Bank charges	12,539	9,784
Depreciation of plant and equipment	191,170	183,870
Depreciation of investment property	16,735	16,735
Foreign exchange loss	405,743	138,177
Investment management and brokerage costs	231,526	155,046
Loss on disposal of investments in financial assets	-	957,058
	<u>857,713</u>	<u>1,460,670</u>

10. Operating costs

	<u>2020</u>	<u>2019</u>
	S\$	S\$
<u>Costs of charitable activities</u>		
Assistance to clients and families	351,403	370,702
Bad debts written off	-	23,836
Cleaning contractor	-	723,537
Education and recreation	271,959	251,266
Food and refreshment	2,978,282	2,464,904
Gardening contractor	-	40,960
Housekeeping	183,886	246,158
Maintenance of equipment and furnishings	2,349,628	665,460
Maintenance of vehicle	148,017	183,282
Medical services and supplies	1,113,328	1,277,562
Non-property licence and insurance	357,828	248,867
Postage and communications	22,237	29,764
Printing and stationery	124,870	95,154
Professional and support fees	174,478	-
Property maintenance costs	185,252	91,544
Recruitment advertisement cost	3,150	1,792
Rental of building	94,397	104,903
Rental of equipment and furnishings	28,196	52,366
Transportation service fees	1,130,451	1,014,648
Security	-	128,646
Staff training	60,523	88,805
Telephone and fax charges	169,616	53,924
Transaction fees and charges	27,600	101,060
Transportation costs	135,220	118,541
Utilities	737,037	647,558
Other expenses	52,140	69,250
	<u>10,699,498</u>	<u>9,094,489</u>

THE SALVATION ARMY, SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 March 2020

11. Property, plant and equipment

	<u>Freehold land</u> S\$	<u>Freehold buildings</u> S\$	<u>Leasehold land</u> S\$	<u>Leasehold buildings</u> S\$	<u>Equipment and software</u> S\$	<u>Motor vehicles</u> S\$	<u>Assets under construction</u> S\$	<u>Total</u> S\$
Cost:								
At 1 April 2018	4,713,000	39,761,481	4,945,417	27,587,956	2,056,978	3,320,523	1,119,664	83,505,019
Additions	-	24,714	-	4,033,679	182,572	623,839	2,745,539	7,610,343
Written off	-	-	-	-	-	(463,329)	-	(463,329)
Transfers	-	-	-	-	551,782	-	(551,782)	-
At 31 March 2019	4,713,000	39,786,195	4,945,417	31,621,635	2,791,332	3,481,033	3,313,421	90,652,033
Additions	-	7,781,960	-	279,235	138,798	302,160	287,085	8,789,238
Disposal	-	-	-	-	-	(95,000)	-	(95,000)
Written off	-	-	-	-	-	(252,778)	-	(252,778)
Transfer	-	3,062,495	-	-	238,357	-	(3,300,852)	-
At 31 March 2020	4,713,000	50,630,650	4,945,417	31,900,870	3,168,487	3,435,415	299,654	99,093,493
Accumulated depreciation:								
At 1 April 2018	-	19,532,855	499,829	16,052,439	1,687,232	2,526,107	-	40,298,462
Depreciation for the year	-	1,313,647	164,847	1,040,415	293,086	453,126	-	3,265,121
Written off	-	-	-	-	-	(463,329)	-	(463,329)
At 31 March 2019	-	20,846,502	664,676	17,092,854	1,980,318	2,515,904	-	43,100,254
Depreciation for the year	-	1,451,694	164,847	1,138,081	330,847	411,235	-	3,496,704
Disposal	-	-	-	-	-	(95,000)	-	(95,000)
Written-off	-	-	-	-	-	(251,131)	-	(251,131)
At 31 March 2020	-	22,298,196	829,523	18,230,935	2,311,165	2,581,008	-	46,250,827
Net carrying amount:								
At 31 March 2019	4,713,000	18,939,693	4,280,741	14,528,781	811,014	965,129	3,313,421	47,551,779
At 31 March 2020	4,713,000	28,332,454	4,115,894	13,669,935	857,322	854,407	299,654	52,842,666

THE SALVATION ARMY, SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

a) Fair value of properties

The Organisation engaged Pioneer Property Consultants LLP, an independent valuer to determine the market value of the freehold and leasehold land and buildings ("Properties"). The market value of the Properties was approximately S\$121,101,082 (2019: S\$112,702,134). The market value is determined using the summation of the open market value of the land and the depreciated replacement cost of the buildings. The open market value is determined by reference to the development charge for the geographical sector under the Civic & Community Institution zone and adjusted according to its location. The depreciated replacement cost of the building is based on current estimated construction cost and depreciated with regard to their respective age and condition. The valuation reports are dated 31 March 2020 (2019: 31 March 2019).

b) Assets under construction

In the previous year, assets under construction mainly related to the construction costs incurred for the Jade Circle Construction Project amounting to S\$3,062,495, the construction of an Autonomous Guided Vehicle transport system amounting to S\$174,715, and software development & enhancement costs, learning management system and information technology system ("IngoT system") amounting to S\$46,900.

During the current year, assets under construction comprised mainly S\$143,000 for the Gym Tonic Programme equipment located at Peacehaven Jade Circle Building and S\$143,000 for the Gym Tonic Programme Equipment at Peacehaven Day Centre.

c) Other additions to property, plant and equipment

In the previous year, additions to leasehold buildings included an acquisition of a leasehold private residential property at a total cost of S\$2,022,134. The Organisation also incurred renovation costs for the leasehold private residential property at a total cost of S\$55,640 during the previous year. The private property is used to provide accommodation for the Territorial Commander.

During the current year, the Organisation incurred renovation costs for the Bishan Headquarters premises amounting to S\$223,595 (2019: S\$2,000,087). In addition, the Organisation traded in a fully depreciated vehicle at a trade-in value of S\$38,000, which was set off against the purchase price of a new vehicle amounting to S\$124,582.

THE SALVATION ARMY, SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 March 2020

12. Intangible assets

	<u>Computer software</u> S\$	<u>Work-in- progress</u> S\$	<u>Total</u> S\$
Cost:			
At 1 April 2018	4,812,345	-	4,812,345
Additions	-	222,809	222,809
At 31 March 2019	4,812,345	222,809	5,035,154
Additions	681,803	-	681,803
Transfer	222,809	(222,809)	-
At 31 March 2020	<u>5,716,957</u>	<u>-</u>	<u>5,716,957</u>
Accumulated amortisation:			
At 1 April 2018	2,726,996	-	2,726,996
Amortisation for the year	962,470	-	962,470
At 31 March 2019	3,689,466	-	3,689,466
Amortisation for the year	1,007,698	-	1,007,698
At 31 March 2020	<u>4,697,164</u>	<u>-</u>	<u>4,697,164</u>
Net carrying amount:			
At 31 March 2019	<u>1,122,879</u>	<u>222,809</u>	<u>1,345,688</u>
At 31 March 2020	<u>1,019,793</u>	<u>-</u>	<u>1,019,793</u>

THE SALVATION ARMY, SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

13. Investment property

	<u>Investment property</u> S\$
Cost:	
At 1 April 2018, 31 March 2019 and 31 March 2020	<u>547,890</u>
Accumulated depreciation:	
At 1 April 2018	406,497
Depreciation for the year At 31 March 2019	<u>16,735</u> 423,232
Depreciation for the year At 31 March 2020	<u>16,735</u> <u>439,967</u>
Net carrying amount:	
At 31 March 2019	<u>124,658</u>
At 31 March 2020	<u>107,923</u>

The market value of the freehold investment property was approximately S\$4,850,000 (2019: S\$5,000,000). The valuation was conducted by the same independent valuer using the same valuation methodology as disclosed in Note 11. The date of the valuation report is 31 March 2020 (2019: 31 March 2019).

THE SALVATION ARMY, SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 March 2020

14. Investments in financial assets

	<u>2020</u> S\$	<u>2019</u> S\$
Quoted bonds, at cost	28,262,996	29,227,243
Quoted equity shares, at cost	7,724,168	7,789,190
Investment schemes, at cost	2,072,596	2,586,118
Derivatives, at cost	195,261	91,155
Cash with fund manager for investment purpose	2,489,097	495,060
	<u>40,744,118</u>	<u>40,188,766</u>
<i>Presentation in the statement of financial position as:</i>		
Non-current	38,255,021	39,693,706
Current	2,489,097	495,060
	<u>40,744,118</u>	<u>40,188,766</u>
Investment assets in Singapore	19,360,857	15,897,163
Investment assets outside Singapore	21,383,261	24,291,603
	<u>40,744,118</u>	<u>40,188,766</u>

The market value of the investment assets at the end of the reporting period was S\$29,742,691 and S\$7,386,806 for bonds and equity shares, respectively (2019: S\$30,251,806 for bonds and S\$8,220,673 for equity shares).

	<u>2020</u> S\$	<u>2019</u> S\$
<i><u>Movement in investments during the year</u></i>		
At beginning of the year	40,188,766	38,058,450
Effect of change in allocation of investment portfolio	663,484	2,165,011
Additions	228,651,750	295,885,246
Disposals*	(228,759,882)	(295,919,941)
At end of the year	<u>40,744,118</u>	<u>40,188,766</u>
<i>Reconciled to the statement of cash flows as follows:</i>		
Proceeds from disposal of investment assets	229,147,171	294,962,883
Loss on disposal of investment assets	(387,289)	957,058
Net disposals*	<u>228,759,882</u>	<u>295,919,941</u>

During the financial year, the Territorial Management Board revised the allocation of the investment portfolio shared between The Salvation Army, Singapore territory and The Salvation Army, Malaysia territory to 9.15:0.85 respectively (2019: 9:1), effective on 1 April 2019. The effect of the new allocation of the investment portfolio gave rise to an increase of S\$663,484 (2019: S\$2,165,011) share in the investment portfolio assets at the beginning of the financial year.

THE SALVATION ARMY, SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

15. Trade and other receivables

	<u>2020</u> S\$	<u>2019</u> S\$
Programme fees receivables	1,002,466	646,088
Interest income receivables	369,806	469,815
Deposits for utilities and premises	152,108	149,348
Amount due from related parties (non-trade)	369	988,028
Amount due from International Headquarters (non-trade)	51,023	9,260
Prepayments	104,553	135,491
Rental fees receivable	16,901	119,221
Other receivables	5,146,232	1,200,009
	<u>6,843,458</u>	<u>3,717,260</u>

Other receivables mainly relate to government grant receivables.

Amount due from related parties are non-trade related, unsecured, non-interest bearing and repayable upon demand. Related parties refer to The Salvation Army, Malaysia and The Salvation Army, Myanmar.

16. Fixed deposits

Fixed deposits are made for varying periods of between 3 and 12 months (2019: 6 and 12 months) depending on the cash requirements of the Organisation and earn interest at deposit rates ranging between 0.35% and 1.85% (2019: 0.47% and 1.85%) per annum.

17. Cash

	<u>2020</u> S\$	<u>2019</u> S\$
Cash at bank and on hand	6,830,799	8,835,354
Short-term deposits	4,950,147	9,737,755
	11,780,946	18,573,109
Less: Monies held on behalf of Medifund account (Note 18)	(737,775)	(858,238)
Cash and cash equivalents as per statement of cash flows	<u>11,043,171</u>	<u>17,714,871</u>

Cash at bank earns interest on floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, earning interest at the respective short-term deposit rates ranging between 0.35% and 1.85% (2019: 0.35% and 1.68%) per annum.

THE SALVATION ARMY, SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 March 2020

18. Trade and other payables

	<u>2020</u>	<u>2019</u>
	S\$	S\$
Trade payables	1,473,912	1,776,322
Accruals	2,666,248	1,831,265
Amount due to related parties (non-trade)	64,476	1,049,905
Deposits collected from child care centre clients	17,344	-
Deposits collected from customers	43,850	79,850
Deposits collected from patients	169,195	188,996
Deposits collected from tenants	69,417	95,045
Medifund account (Note 17)	737,775	858,238
Deferred Jobs Support Scheme grants	1,691,002	-
Unearned revenue	12,440	35,185
Other payables	96,108	285,340
	<u>7,041,767</u>	<u>6,200,146</u>

The Medifund account refers to funds received from Medifund, an endowment fund set up by the Singapore government to assist needy Singaporeans to pay for medical care. The amount will be set off against the programme fees receivable from specific patients upon review and approval by the Organisation's Medifund committee.

The Jobs Support Scheme ("JSS") was announced in the Budget 2020 (the "Unity Budget") on 18 February 2020 and further enhanced in the Resilience Budget on 26 March 2020 to provide wage support to employers to help them retain their local employees. Subsequent to the year end, the Organisation has received a JSS payout of S\$1,691,002.

19. Provisions

	<u>2020</u>	<u>2019</u>
	S\$	S\$
<u>Provision for unconsumed leave:</u>		
At beginning of the year	588,604	611,171
Addition/(Reversal) during the year	157,354	(22,567)
At end of the year	<u>745,958</u>	<u>588,604</u>

THE SALVATION ARMY, SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 March 2020

20. Capital contribution funds

	<u>2020</u> S\$	<u>2019</u> S\$
At beginning of the year	49,022,125	45,433,299
Deficit for the year	(4,521,138)	(4,244,325)
Transfer between funds:		
Transfer from designated funds (Note 21)	1,624,575	4,668,345
Transfer from restricted funds (Note 22)	7,781,960	2,979,638
Transfer from unrestricted funds	62,860	185,168
	9,469,395	7,833,151
At end of the year	<u>53,970,382</u>	<u>49,022,125</u>

The capital contribution funds represent monies already expended on the acquisition of plant and equipment and set aside to meet future depreciation expenses.

THE SALVATION ARMY, SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 March 2020

21. Designated funds

The Designated funds are held for specific purposes designated by the Territorial Management Board using its discretionary powers.

	<u>Health benefit</u> S\$	<u>Staff training</u> S\$	<u>Special ministries</u> S\$	<u>Education</u> S\$	<u>Programme reserves</u> S\$	<u>Vehicles reserves</u> S\$	<u>Sub-total carried forward</u> S\$
At 1 April 2018	6,947	962,788	220,727	213,787	4,243,682	2,234,356	7,882,287
Deficit for the year	(97,773)	(159,816)	(13,609)	(11,022)	(1,058)	148,152	(135,126)
Transfer between funds:							
Transfer to capital contribution funds (Note 20)	-	-	-	-	-	(623,839)	(623,839)
Transfers (to)/from unrestricted funds	136,000	152,706	-	-	(525,088)	345,600	109,218
At 31 March 2019	45,174	955,678	207,118	202,765	3,717,536	2,104,269	7,232,540
Deficit for the year	(72,326)	(197,002)	(60,531)	(15,792)	(13,877)	80,609	(278,919)
Transfer between funds:							
Transfer between designated funds	100,000	-	-	-	(1,757,926)	-	(1,657,926)
Transfer to capital contribution funds (Note 20)	-	-	-	-	-	(300,514)	(300,514)
Transfers (to)/from unrestricted funds	44,640	155,869	-	-	(61,801)	355,200	493,908
At 31 March 2020	144,640	155,869	-	-	(1,819,727)	54,686	(1,464,532)
	117,488	914,545	146,587	186,973	1,883,932	2,239,564	5,489,089

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	<u>Sub-total brought forward</u> S\$	<u>Jade Circle Project</u> S\$	<u>Furniture, fixtures and equipment replacement</u> S\$	<u>Development fund</u> S\$	<u>Special projects</u> S\$	<u>Property replacement and repair</u> S\$	<u>Total</u> S\$
At 1 April 2018	7,882,287	3,219,987	172,700	223,510	3,676,653	43,176,146	58,351,283
Deficit for the year	(135,126)	(7,664)	(25,351)	(74,184)	(1,098,162)	(4,489,474)	(5,829,961)
Transfer between funds:							
Transfer to capital contribution funds (Note 20)	(623,839)	-	-	-	(354,886)	(3,689,620)	(4,668,345)
Transfer to restricted funds	-	-	-	-	-	90	90
Transfers (to)/from unrestricted funds	109,218	-	18,720	(704)	1,000,000	2,836,973	3,964,207
	(514,621)	-	18,720	(704)	645,114	(852,557)	(704,048)
At 31 March 2019	7,232,540	3,212,323	166,069	148,622	3,223,605	37,834,115	51,817,274
Deficit for the year	(278,919)	(1,388,580)	(91,080)	(79,895)	4,325,530	(2,769,759)	(282,703)
Transfer between funds:							
Transfer to designated funds	(1,657,926)	3,000,000	(9,917)	300,000	(2,990,083)	1,357,926	-
Transfer to capital contribution funds (Note 20)	(300,514)	-	-	-	(1,044,826)	(279,235)	(1,624,575)
Transfer to restricted funds (Note 22)	-	-	-	(1,783)	(2,000,000)	-	(2,001,783)
Transfers (to)/from unrestricted funds	493,908	-	5,660	-	5,220	3,214,075	3,718,863
	(1,464,532)	3,000,000	(4,257)	298,217	(6,029,689)	4,292,766	92,505
At 31 March 2020	5,489,089	4,823,743	70,732	366,944	1,519,446	39,357,122	51,627,076

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for the financial year ended 31 March 2020

Jade Circle Project

Funds for Jade Circle Project consist of funds set aside for the cost of programmes and equipment for:

- (i) Jade Circle Day Centre;
- (ii) Peacehaven Residential Care; and
- (iii) Peacehaven Training Centre.

Special projects

Funds for special projects consist of:

- (i) Legacy bequest;
- (ii) Community Silver Trust ("CST") grants; and
- (iii) Information technology (IT) project reserve.

The amounts received under the CST scheme are designated for renovation, purchase of equipment, staff costs and other costs for the nursing home. CST is a funding programme by the Singapore government to provide dollar-for-dollar matching grants to encourage donations into the intermediate and long-term care sector in Singapore.

During the year, the Organisation received S\$5,001,489 in CST grants, which was set aside under Designated Funds (Special Projects). Subsequently, the Organisation transferred a sum of S\$3,000,000 to Jade Circle Project under Designated Funds, as the amount is intended to be utilised for the development of the Jade Circle Day Centre and Jade Circle Residential Care facilities to be housed within the Jade Circle building.

As of the financial year end, the aggregate amount of unutilised CST grants included in designated funds (under Jade Circle Project and Special Projects) are S\$4,792,324 (2019: S\$4,286,726).

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22. Restricted funds

The Restricted funds are held for restricted purposes as specified by the donors.

	(a)	(b)	(c)	(d)	Sub-total
General fund projects	Jade Circle Construction Project	IngoT System	Charity Bike 'n' Blade	True Hearts Connection	carried forward
S\$	S\$	S\$	S\$	S\$	S\$
At 1 April 2018	7,116,813	240,000	129,941	-	7,486,754
Surplus for the year	2,000,000	-	(4,941)	21,000	2,017,065
Transfer between funds:					
Transfer to capital contribution funds (Note 20)	-	-	-	-	(2,979,638)
Transfer to designated funds (Note 21)	(90)	-	-	-	(90)
Transfer to unrestricted funds	(916)	-	-	-	(916)
	(1,006)	(2,979,638)	-	-	(2,980,644)
At 31 March 2019	6,137,175	240,000	125,000	21,000	6,523,175
Surplus for the year	2,101,940	-	160,196	-	2,260,353
Transfer between funds:					
Transfer to capital contribution funds (Note 20)	-	-	-	-	(7,781,960)
Transfer from designated funds	1,783	2,000,000	-	-	2,001,783
Transfer to unrestricted funds	-	-	-	(3,000)	(3,000)
	1,783	(5,781,960)	-	(3,000)	(5,783,177)
At 31 March 2020	2,457,155	240,000	285,196	18,000	3,000,351

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	Sub-total brought forward	Interim Placement and Assessment Centre	Gracehaven Fostering	Outcomes - Based Funding	Total
	S\$	S\$	S\$	S\$	S\$
At 1 April 2018	7,486,754	119,437	67,782	-	7,673,973
Surplus for the year	2,017,065	(162,548)	35,753	-	1,890,270
Transfer between funds:					
Transfer to capital contribution funds (Note 20)	(2,979,638)	-	-	-	(2,979,638)
Transfer to designated funds (Note 21)	(90)	-	-	-	(90)
Transfers (to)/from unrestricted funds	(916)	43,111	-	-	42,195
	(2,980,644)	43,111	-	-	(2,937,533)
At 31 March 2019	6,523,175	-	103,535	-	6,626,710
Surplus for the year	2,260,353	12,797	(145,596)	(11,381)	2,116,173
Transfer between funds:					
- Headquarters oversight fee	-	(45,450)	(143,239)	(944)	(189,633)
- Headquarters training levy	-	(4,080)	(4,744)	-	(8,824)
- Other transfers	-	36,733	190,044	12,325	239,102
Transfer to capital contribution funds (Note 20)	(7,781,960)	-	-	-	(7,781,960)
Transfer from designated funds (Note 21)	2,001,783	-	-	-	2,001,783
Transfer to unrestricted funds	(3,000)	-	-	-	(3,000)
	(5,783,177)	(12,797)	42,061	11,381	(5,742,532)
At 31 March 2020	3,000,351	-	-	-	3,000,351

- a) The Jade Circle Construction Project refers to the development and construction of elderly care residential and non-residential facilities, as well as a training centre. The Organisation received a Temporary Occupation Permit in respect of the new building during the financial year. The Jade Circle facilities are managed and operated by Peacehaven Nursing Home.
- b) Accumulated funds brought forward from the previous financial year amounting to S\$240,000 relates to a proposed upgrade of the information technology system, IngoT system. As at year end, the funds have not been utilised.

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NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2020

- c) During the financial year, the Organisation received donations of S\$217,053 (2019: S\$116,051) from the fund raising event, Charity Bike 'n' Blade 2019 (2019: Charity Bike 'n' Blade 2018), of which the surplus funds are restricted for the purpose of the event objective.
- d) The restricted funds relate to donations from True Hearts Connection to support the cost of running the True Hearts Mentoring Programme at The Haven over a period of 7 years.
- e) On 1 February 2020, the Ministry of Social and Family Development entered into an agreement with the Organisation to provide funding for the provision of fostering services and residential care services to clients selected for the Outcomes-Based Funding ("OBF") programmes. The OBF programme is operated by Gracehaven Children's Home.

23. Related party transactions

a) Transactions with related parties

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Organisation and related parties took place at terms agreed between the parties during the financial year:

	<u>2020</u> S\$	<u>2019</u> S\$
<u>Transactions with The Salvation Army, Malaysia:</u>		
Allocation to Malaysia	-	(583,522)
Laptop levy	-	2,701
Officers' retreat contribution	1,559	1,362
Sale of War Cry publication	-	2,338
Uniform trimming	-	18
Tithes income	-	129,439
Rental income	2,100	1,536
Other sundry revenue	19,458	139,565
Service income received in respect of Headquarters administration support	-	1,577,960
<u>Transactions with The Salvation Army, Myanmar:</u>		
Allocation to Myanmar	(20,400)	(500,000)
Sale of War Cry publication	-	913
Service income received in respect of Headquarters administration support	-	541,838
<u>Transactions with International Headquarters:</u>		
Management fees paid to the International Headquarters	<u>(25,779)</u>	<u>(25,286)</u>

Related parties refer to other Salvation Army territories under the purview of the Territorial Management Board, which includes those in Malaysia and Myanmar. As of 1 April 2019, the Territorial Management Board no longer provides oversight to these territories. Salvation Army territories are administered by the International Headquarters, which is also a related party.

THE SALVATION ARMY, SINGAPORE

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b) Compensation of key management personnel

	<u>2020</u> S\$	<u>2019</u> S\$
Employees' salaries and bonuses	1,031,712	786,721
Central Provident Fund contributions	51,693	48,812
Other short-term benefits	64,205	82,864
	<u>1,147,610</u>	<u>918,397</u>
Number of key management in remuneration bands:		
< S\$100,000	11	12
S\$100,000 to S\$150,000	2	1
> S\$150,000	<u>1</u>	<u>1</u>

Key management personnel comprise members of the Territorial Management Board and the Central Council. Except as disclosed above, there were no claims by the key management personnel for services provided to the Organisation, either by reimbursements or providing the key management with an allowance or by direct payment to a third party during the financial year.

24. Commitments

a) Capital commitments

Capital expenditure contracted for as the financial year end date but not recognised in the financial statements is as follows:

	<u>2020</u> S\$	<u>2019</u> S\$
Capital commitments in respect of property, plant and equipment	<u>-</u>	<u>10,623,397</u>

b) Operating lease commitments – as lessor

Future minimum lease receivable under non-cancellable operating leases in respect of rental of premises as at the financial year end date are as follows:

	<u>2020</u> S\$	<u>2019</u> S\$
Not later than one year	491,289	363,544
Later than one year but not later than five years	41,900	41,900
	<u>533,189</u>	<u>405,444</u>

The following amounts are recognised in the statement of financial activities:

Rental income	<u>594,886</u>	<u>669,840</u>
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THE SALVATION ARMY, SINGAPORE

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c) Operating lease commitments – as lessee

Future minimum rental payable under non-cancellable operating leases in respect of rental of land and equipment as at the financial year end date are as follows:

	<u>2020</u> S\$	<u>2019</u> S\$
Not later than one year	364,170	364,170
Later than one year but not later than five years	<u>259,628</u>	<u>605,798</u>
	<u>623,798</u>	<u>969,968</u>
The following amounts are recognised in the statement of financial activities:		
Rental expense	<u>398,033</u>	<u>336,585</u>

25. Taxation

The Organisation is registered as an exempt charity under the Charities Act (Chapter 37). By virtue of Section 13(1)(zm) of the Income Tax Act (Chapter 134), the Organisation's income is exempted from income tax.

26. Fund management

The Territorial Management Board reviews the Organisation's unrestricted reserves annually to ensure that the Organisation will be able to continue as a going concern. The reserve target is established at a level equivalent to two times the amount of the Organisation's annual operating expenditure.

27. Subsequent events

Subsequent to the reporting date, in response to the outbreak of the infectious disease 2019 Novel Coronavirus ("Covid-19"), the Singapore government imposed a partial lockdown known as the Circuit Breaker from 7 April 2020 to 1 June 2020. The Circuit Breaker involved the suspension of operations for all non-essential businesses at their physical premises, and prohibited non-essential movements. This led to the temporary closure of the Organisation's Family Thrift Stores and other premises.

The spread of Covid-19 has created a high level of uncertainty to the near-term global economic prospects and caused disruptions to various businesses. The Organisation is taking precautionary measures to deal with the Covid-19 outbreak in accordance with guidelines provided by the authorities. The Covid-19 outbreak is expected to have a negative impact on the Organisation's operating results, the extent of which will depend on how long the outbreak lasts. The Territorial Board Management is proactively managing the Organisation's operations, maintaining vigilance and will take necessary actions to ensure its long-term sustainability.