

THE SALVATION ARMY, SINGAPORE

Unique Entity Number: T07CC3012G

AUDITED FINANCIAL STATEMENTS

for the financial year ended 31 March 2016

THE SALVATION ARMY, SINGAPORE

AUDITED FINANCIAL STATEMENTS

for the financial year ended 31 March 2016

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THE SALVATION ARMY, SINGAPORE

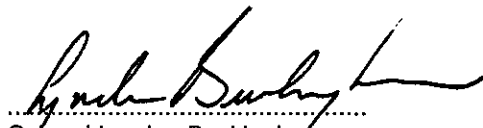
STATEMENT BY THE FINANCE COUNCIL
for the financial year ended 31 March 2016

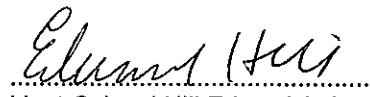
In the opinion of the Finance Council,

- (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 Charities Accounting Standards so as to give a true and fair view of the financial position of The Salvation Army, Singapore (the "Organisation") as at 31 March 2016 and the financial performance and the 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 Finance Council authorised the issue of these financial statements.

On behalf of the Finance Council


.....
Colonel Lyndon Buckingham
Territorial Commander


.....
Lieut-Colonel Hill Edward Arthur
Chief Secretary

Signed on: 19 August 2016

**INDEPENDENT AUDITOR'S REPORT TO THE FINANCE COUNCIL OF
THE SALVATION ARMY, SINGAPORE**

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Report on the Financial Statements

We have audited the accompanying financial statements of **The Salvation Army, Singapore** (the "Organisation"), which comprise the statement of financial position as at 31 March 2016, statement of financial activities and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Finance Council's Responsibility for the Financial Statements

The Finance Council is responsible for the preparation of these financial statements that give a true and fair view in accordance with the provisions of the Salvation Army Ordinance (Chapter 377) (the "Constitution"), Charities Act (Chapter 37) (the "Act") and Charities Accounting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

The Finance Council is also responsible to ensure that the 30% cap in regulation 15 of the Charities (Institutions of a Public Character) Regulations has not been exceeded.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organisation's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organisation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Finance Council, as well as evaluating the overall presentation of the financial statements.

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

**INDEPENDENT AUDITOR'S REPORT TO THE FINANCE COUNCIL OF
THE SALVATION ARMY, SINGAPORE**

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Opinion

In our opinion, the financial statements are properly drawn up in accordance with the provisions of the Constitution, the Act and Charities Accounting Standards so as to give a true and fair view of the financial position of the Organisation as at 31 March 2016 and the financial performance and cash flows of the Organisation for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by 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 (Fund-raising expenses) of the Charities (Institutions of a Public Character) Regulations.

Ardent Associates LLP

ARDENT ASSOCIATES LLP
Public Accountants and
Chartered Accountants

Singapore

19 August 2016

THE SALVATION ARMY, SINGAPORE

STATEMENT OF FINANCIAL ACTIVITIES
for the financial year ended 31 March 2016

	Note	2016					2015
		Unrestricted Funds S\$	Capital Contribution Funds S\$	Designated (Capital) Funds S\$	Designated (Operational) Funds S\$	Restricted Funds S\$	Total S\$
Expenditures							
Cost of generating funds							
Costs of generating voluntary income							
- Manpower costs	7	466,321	-	-	-	466,321	471,547
- Other administrative costs	8	372,851	-	-	-	372,851	341,428
- Depreciation		-	27,428	-	-	27,428	14,328
- Property maintenance costs		-	-	-	6,383	6,383	25,748
Costs of generating income							
- Manpower costs	7	3,133,762	-	-	-	3,133,762	2,866,085
- Shop related costs		960,893	-	-	5	960,898	1,128,815
- Depreciation		-	362,171	-	-	362,171	349,178
- Property maintenance costs		141,099	-	-	576,656	717,755	1,290,167
- Other fundraising costs		135,457	-	-	3,102	138,559	145,272
Investment management costs	9	87,982	101,066	632,359	-	955,371	606,274
Costs of charitable activities							
Manpower costs	7						
- Medical Programmes		9,252,064	-	-	14,963	9,267,027	8,190,248
- Children's Home		2,957,546	-	-	-	2,957,546	2,931,938
- Child Care Centers		149,521	-	-	1,917,960	2,067,481	1,881,347
- Other Social Services		1,174,041	-	-	39,417	1,213,458	932,214
- Evangelical and Outreach Ministries		1,440,828	-	-	496,489	1,937,317	1,957,780
Other costs							
- Assistance to other countries		412,897	-	-	29,755	442,652	37,542
- Depreciation		-	2,123,743	-	-	2,123,743	1,784,618
- Property maintenance costs	10	605,510	-	-	1,104,585	1,710,095	2,138,640
- Operating costs		6,761,182	-	-	926,952	7,688,134	7,095,795
- Other administrative costs	8	484,742	-	246,018	142,270	873,030	508,668

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 2016

Note	2016						2015
	Unrestricted Funds S\$	Capital Contribution Funds S\$	Designated (Capital) Funds S\$	Designated (Operational) Funds S\$	Restricted Funds S\$	Total S\$	Total S\$
7	3,585,039	-	-	805,406	-	4,390,445	3,893,416
	69,060	-	-	7,200	-	76,260	121,884
	26,413	-	-	-	-	26,413	26,070
	-	1,179,587	-	-	-	1,179,587	606,030
	143	-	-	35,168	-	35,311	506,213
	91,292	-	-	159,879	-	251,171	199,137
	552,337	-	5,970	89,117	-	647,424	867,396
Total expenditures	32,860,980	3,793,995	884,347	6,489,231	40	44,028,593	40,917,778
(Deficit)/surplus	4,048,454	(3,793,995)	844,679	667,085	(1,999,931)	(233,708)	3,300,700
Transfers between funds	(2,857,505)	6,055,631	(7,768,376)	570,581	3,999,669	-	410
Net movement in funds	1,190,949	2,261,636	(6,923,697)	1,237,666	1,999,738	(233,708)	3,301,110
Reconciliation of Funds							
Total funds brought forward	21,835,326	44,672,348	46,495,397	14,495,628	18,500	127,517,199	124,216,089
Total funds carried forward	23,026,275	46,933,984	39,571,700	15,733,294	2,018,238	127,283,491	127,517,199

Depreciation of investment property amounting to S\$15,688 (FY2015: S\$15,688) is included in investment management costs.

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

THE SALVATION ARMY, SINGAPORE

STATEMENT OF FINANCIAL POSITION
for the financial year ended 31 March 2016

	<u>Note</u>	<u>2016</u> S\$	<u>2015</u> S\$
<u>Assets</u>			
Non-current assets			
Property, plant and equipment	11	46,790,715	44,513,391
Investment property	12	143,271	158,959
Investment in financial assets	13	23,809,474	14,854,777
		<u>70,743,460</u>	<u>59,527,127</u>
Current assets			
Investments in financial assets	13	13,488,488	24,751,089
Trade and other receivables	14	1,200,504	1,187,109
Fixed deposits	15	38,224,186	36,377,060
Cash and cash equivalents	15	7,283,823	10,097,344
		<u>60,197,001</u>	<u>72,412,602</u>
Total assets		<u>130,940,461</u>	<u>131,939,729</u>
<u>Liabilities</u>			
Current liabilities			
Trade and other payables	16	3,656,970	4,422,530
Total liabilities		<u>3,656,970</u>	<u>4,422,530</u>
Net assets		<u>127,283,491</u>	<u>127,517,199</u>
Represented by:			
<u>Fund and reserve balances</u>			
Capital contribution funds	17	46,933,984	44,672,348
Designated (capital) funds	18	39,571,700	46,495,397
Designated (operational) funds	19	15,733,294	14,495,628
Restricted funds	20	2,018,238	18,500
Unrestricted funds		23,026,275	21,835,326
Total funds and reserves		<u>127,283,491</u>	<u>127,517,199</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 2016

	<u>Note</u>	<u>2016</u> S\$	<u>2015</u> S\$
Cash flows from operating activities			
(Deficit)/surplus for the year		(233,708)	3,300,700
Adjustments for:			
Dividend and interest income		(1,584,501)	(1,627,731)
Depreciation expense		3,793,994	2,769,842
Loss/(Gain) on write off or disposal of property, plant and equipment		225,392	(13,745)
(Gain)/Loss on disposal of investment in financial assets		(279,929)	131,458
Provision for unconsumed leave		(59,031)	94,492
Operating cash flows before changes in working capital		<u>1,862,217</u>	<u>4,655,016</u>
Restricted cash		(100,557)	437,370
Trade and other receivables		150,150	(25,929)
Trade and other payables		<u>(706,529)</u>	<u>1,800,539</u>
Net cash flows generated from operating activities		<u>1,205,281</u>	<u>6,866,996</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(6,301,648)	(3,484,794)
Proceeds from sale of property, plant and equipment		20,626	100,699
Purchase of investment in financial assets		(65,605,463)	(16,347,274)
Proceeds from sale of investment in financial assets		68,190,277	21,452,852
Capital distribution		3,019	-
Dividends and interest received		<u>1,420,956</u>	<u>1,629,256</u>
Net cash flows (used in)/generated from investing activities		<u>(2,272,233)</u>	<u>3,350,739</u>
Net change in cash and cash equivalents		(1,066,952)	10,217,735
Cash and cash equivalents at beginning of financial year		<u>46,273,580</u>	<u>36,055,845</u>
Cash and cash equivalents at end of financial year	15	<u>45,206,628</u>	<u>46,273,580</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 2016

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 three units, as 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 other funds.

(ii) Social Fund, Singapore

The Social Fund deals with the social operations of the Organisation which has been conferred the Institute of Public Character status (IPC No. IPC000549). Accordingly, qualifying donors are granted tax deduction for donations made by them to the Social Fund.

(iii) Property Fund, Singapore

The Property Fund undertakes the functions of an owner of property and deals with all transactions relating to the properties owned by the Organisation.

The Organisation provides Christian education and activities through its Corps.

The Organisation also provides:

- nursing home;
- residential homes for the children and the young people at risk;
- ministries to troubled young people;
- day care centres for children and the elderly;
- food for families;
- counselling services; and
- prison support services.

The Organisation operates The Red Shield Industries ("RSI") Family Thrift Stores 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 Finance Council on the date of the Statement by the Finance Council.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Organisation have been prepared in accordance with Singapore Charities Accounting Standards ("CAS").

The financial statements have been prepared on the historical cost basis.

THE SALVATION ARMY, SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2016

The financial statements are presented in Singapore dollars ("S\$"), which is the Organisation's functional currency. All financial information is 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 Finance Council are virtually certain that the Organisation will receive the income; and
- the monetary value can be measured with sufficient reliability.

Voluntary income

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

- 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;
- Tithes and offerings are recognised upon receipt; and
- Operating grants are funding from charitable foundations and are accounted for on accrual basis.

Activities for generating funds

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

- Fundraising income are from events and appeals held by the Organisation and is recognised on cash basis;
- Shop income are from selling donated goods and bought-in goods;
- 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 consist of utilities charges to external tenants and sale of scrap materials.

THE SALVATION ARMY, SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2016

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.

Programme fees

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

Funding from government

Funding from government are government grants and subvention receivable for the provision of services by the Organisation to beneficiaries. Government grants and subventions are recognised where there is a reasonable assurance that the grants or subventions will be received and all attached conditions has been complied with.

Community Chest Funding

Community Chest Funding is funding received to support the Organisation for the provision of social service programmes to help children with special needs. The funding is recognised when it is received.

Other income

This refers to all other income that the Organisation has not been able to analyse within the main income categories.

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 on 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.

THE SALVATION ARMY, SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2016

Manpower costs include (a) contributions to 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 services are performed; and (b) employee entitlement to annual leave which 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.

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 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.

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 for the current year refer to freehold and leasehold building improvement in progress. Cost mainly includes renovation contractor costs.

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

THE SALVATION ARMY, SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2016

2.6 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.

2.7 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 provision of the instrument and are initially measured at cost. Costs of investments in financial assets are transaction price excluding transaction costs, if any. Transaction costs are recognised as expenditures in the Statement of Financial Activities as incurred.

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

2.8 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.

2.9 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at bank and demand deposits which are subject to an insignificant risk of changes in value.

2.10 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 2016

2.11 Funds and reserves

a) Capital Contribution Funds

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

b) Designated (Capital) Funds

These are funds specifically set aside by the Finance Council to meet planned or anticipated needs for property replacement or extension.

c) Designated (Operational) Funds

These are funds specifically set aside by the Finance Council to meet operational plans or anticipated needs.

d) Restricted Funds

These are donations or legacies held for restricted purposes as specified by the donors.

e) Unrestricted Funds

This is for the working capital of the Organisation.

2.12 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 incentive, if any, is recognised as a reduction over the lease term.

As lessee

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

3. Significant accounting judgments and estimates

The preparation of the Organisation's financial statements in conformity with CAS requires the Finance Council 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 may result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are accounted for prospectively.

3.1 Judgments made in applying accounting policies

In the process of applying the Organisation's accounting policies, the Finance Council has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

THE SALVATION ARMY, SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2016

a) Impairment of trade and other receivables

The Organisation assesses at the end of each reporting period whether there is any objective evidence that the trade and other receivables are impaired. To determine whether there is objective evidence of impairment, the Organisation considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for receivables with similar credit risk characteristics. The carrying amount of the Organisation's trade and other receivables at the end of the reporting period is disclosed in Note 14 to the financial statements.

b) Impairment of investments in financial assets

Finance Council has concluded that the fall in values of certain of its investments is a significant or prolonged decline in fair value of those instruments below its costs as the probability of the recovery of those assets is low.

In making its judgment, Finance Council considered the following factors, amongst others:

- Cost of a specific investment relative to its current fair value;
- The length of time fair value has remained lower than cost;
- The market capitalisation of the investee being lower than the book value of net assets;
- The investee announcing a change in business model, restructuring, discontinued operations, etc.; and
- Increase in investees' cost of capital.

The carrying value of the investments in financial assets at the end of the reporting period is disclosed in Note 13 to the financial statements.

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, 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:

Useful lives of property, plant and equipment and investment property

The property, plant and equipment, and investment property are depreciated on a straight-line basis over the respective asset's estimated economic useful lives. The Finance Council exercised their judgment in estimating the useful lives at the end of each reporting period. The total carrying amount of the property, plant and equipment, and investment property of the Organisation is disclosed in Note 11 and 12, respectively. Changes in the expected level of usage could impact the useful lives and the residual values, if any, of these assets, therefore future depreciation charges could be revised.

THE SALVATION ARMY, SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2016

4. Tax-exempt receipts

The Organisation enjoys concessionary tax treatment whereby qualifying donors are granted tax deduction for the donations made to the Organisation. The total value of tax-exempt receipts issued was as follows:

	<u>2016</u> S\$	<u>2015</u> S\$
Total value of tax-exempt receipts issued	<u>7,942,712</u>	<u>10,998,800</u>

During the financial year, the Organisation returned a donation amount of S\$2.0 million at the request of the donor. As the project for which the donation income was intended for was shelved, and the donation income was not utilised, the Finance Council agreed for the donation to be refunded and the tax exempt receipt issued was cancelled.

5. Investment income

	<u>2016</u> S\$	<u>2015</u> S\$
Dividend income	409,432	602,457
Gain on sale of investments	279,929	-
Interest income		
- Bank	362	136
- Bonds	1,030,717	790,196
- Fixed deposits	143,990	231,345
- Fund manager	-	3,597
Property related income	26,047	67,781
	<u>1,890,477</u>	<u>1,695,512</u>

6. Others

	<u>2016</u> S\$	<u>2015</u> S\$
Employment / Jobs credits	1,534,028	462,626
Gain on sale of motor vehicle	20,626	13,745
Training funding from government	108,315	735,540
Others	576,412	1,176
	<u>2,239,381</u>	<u>1,213,087</u>

THE SALVATION ARMY, SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2016

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>2016</u>					
Employees' salaries and bonuses	392,268	2,537,741	13,097,762	3,108,206	19,135,977
Central Provident Fund contributions, Skills Development Levy and Foreign Worker Levy	63,849	343,567	2,329,686	379,594	3,116,696
Staff benefits and development	8,804	58,809	1,104,078	468,439	1,640,130
Contract manpower services	1,400	193,645	911,303	434,206	1,540,554
	<u>466,321</u>	<u>3,133,762</u>	<u>17,442,829</u>	<u>4,390,445</u>	<u>25,433,357</u>
<u>2015</u>					
Employees' salaries and bonuses	400,478	2,355,255	12,009,423	2,970,142	17,735,298
Central Provident Fund contributions, Skills Development Levy and Foreign Worker Levy	58,295	293,631	2,028,977	362,122	2,743,025
Staff benefits and development	11,574	50,508	1,039,187	426,708	1,527,977
Contract manpower services	1,200	166,691	815,940	134,444	1,118,275
	<u>471,547</u>	<u>2,866,085</u>	<u>15,893,527</u>	<u>3,893,416</u>	<u>23,124,575</u>

Manpower costs under costs of charitable activities is the aggregate of the manpower costs for medical programme, children's home, child care centres and youth hub, other social services and evangelical and outreach ministries.

THE SALVATION ARMY, SINGAPORE

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for the financial year ended 31 March 2016

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>2016</u>				
Appeals materials	146,893	-	-	146,893
Assistance - officer	-	-	44,261	44,261
Client insurance	-	11,292	3,289	14,581
Education and recreation	896	12,077	2,899	15,872
Food and refreshment	25,872	-	-	25,872
Fund raising and related materials	12,718	-	30,154	42,872
Maintenance of equipment and furnishings	2,075	33,995	129,921	165,991
Maintenance of vehicle	-	-	17,449	17,449
Non property licence and insurance	14,324	200,194	129,385	343,903
Postage and communications	56,871	149,238	38,628	244,737
Printing and stationery	24,551	57,827	26,758	109,136
Professional and support fees	-	4,778	19,848	24,626
Recruitment expenses	-	12,216	2,312	14,528
Rental of equipment and furnishings	1,531	33,163	1,452	36,146
Transaction fees and charges	75,691	-	-	75,691
Travelling	2,872	97,126	127,983	227,981
Utilities	7,166	-	31,053	38,219
Other expenses	1,391	261,124	42,032	304,547
	<u>372,851</u>	<u>873,030</u>	<u>647,424</u>	<u>1,893,305</u>
<u>2015</u>				
Appeals materials	51,151	-	-	51,151
Client insurance	-	3,922	1,573	5,495
Education and recreation	1,360	37,534	3,168	42,062
Food and refreshments	22,978	-	-	22,978
Fund raising and related materials	13,838	172	26,292	40,302
Maintenance of equipment and furnishings	4,176	20,813	49,392	74,381
Maintenance of vehicle	-	-	13,913	13,913
Non property licence and insurance	13,332	127,332	237,410	378,074
Postage and communications	144,912	109,010	32,915	286,837
Printing and stationery	18,405	79,229	22,858	120,492
Professional and support fees	-	1,473	312,571	314,044
Recruitment expenses	-	13,216	11,072	24,288
Rental of equipment and furnishings	1,005	30,735	5,248	36,988
Transaction fees and charges	65,427	-	-	65,427
Travelling	3,785	75,102	69,829	148,716
Utilities	-	-	37,354	37,354
Other expenses	1,059	10,130	43,801	54,990
	<u>341,428</u>	<u>508,668</u>	<u>867,396</u>	<u>1,717,492</u>

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for the financial year ended 31 March 2016

9. Investment management costs

	<u>2016</u> S\$	<u>2015</u> S\$
Bank charges	40,364	96
Depreciation	101,066	15,688
Foreign exchange loss	494,810	42,480
Investment management and brokerage costs	211,231	402,758
Loss on sale of investment	-	132,537
Property maintenance costs	107,900	12,715
	<u>955,371</u>	<u>606,274</u>

10. Operating costs

	<u>2016</u> S\$	<u>2015</u> S\$
<u>Costs of charitable activities</u>		
Assistance to clients and families	422,313	435,468
Bad debts	2,400	11,103
Education and recreation	800,866	626,785
Food and refreshment	2,016,091	2,174,032
Goods and services tax	15,587	97,155
Housekeeping	236,840	205,865
Maintenance of equipment and furnishings	763,530	373,002
Maintenance of land and building	-	317
Maintenance of vehicle	166,065	212,267
Medical services and supplies	1,309,424	1,356,273
Printing and stationery	42,495	30,621
Rental of building	115,630	113,695
Rental of equipment and furnishings	1,624	-
Rental of vehicle	647,416	452,653
Travelling	(2,840)	141
Utilities	1,146,794	1,006,412
Other expenses	3,899	6
	<u>7,688,134</u>	<u>7,095,795</u>

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for the financial year ended 31 March 2016

11. Property, plant and equipment

	Freehold Land S\$	Freehold Building S\$	Leasehold Land S\$	Leasehold Building S\$	Asset under construction S\$	Motor vehicles S\$	Equipment and software S\$	Total S\$
Cost:								
At 01/04/2014	4,713,000	36,510,176	1,887,281	24,321,645	2,750,279	1,899,136	1,535,199	73,616,716
Additions	-	-	-	-	2,515,484	700,284	182,072	3,397,840
Disposals/Asset written-off	-	-	-	-	-	(24,157)	-	(24,157)
Reclassification	-	203,957	-	-	(203,957)	-	-	-
At 31/03/2015	4,713,000	36,714,133	1,887,281	24,321,645	5,061,806	2,575,263	1,717,271	76,990,399
Additions	-	216,342	4,325,417	605,110	196,452	636,242	322,085	6,301,648
Disposals/Asset written-off	-	-	(1,267,281)	-	-	(202,507)	-	(1,469,788)
Reclassification	-	-	-	309,111	(5,061,806)	-	4,752,695	-
At 31/03/2016	4,713,000	36,930,475	4,945,417	25,235,866	196,452	3,008,998	6,792,051	81,822,259
Accumulated depreciation:								
At 01/04/2014	-	14,593,683	989,127	12,498,648	-	1,180,696	484,857	29,747,011
Depreciation for the year	-	1,205,914	62,909	864,312	-	350,166	270,853	2,754,154
Disposals/Asset written-off	-	-	-	-	-	(24,157)	-	(24,157)
At 31/03/2015	-	15,799,597	1,052,036	13,362,960	-	1,506,705	755,710	32,477,008
Depreciation for the year	-	1,213,724	139,362	866,854	-	406,031	1,152,335	3,778,306
Disposals/Asset written-off	-	-	(1,021,263)	-	-	(202,507)	-	(1,223,770)
At 31/03/2016	-	17,013,321	170,135	14,229,814	-	1,710,229	1,908,045	35,031,544
Net carrying amount:								
At 31/03/2015	4,713,000	20,914,536	835,245	10,958,685	5,061,806	1,068,558	961,561	44,513,391
At 31/03/2016	4,713,000	19,917,154	4,775,282	11,006,052	196,452	1,298,769	4,884,006	46,790,715

The Organisation engaged Pioneer Property Consultants LLP, an independent valuer to determine the market value of the freehold and leasehold lands and buildings ("Properties"). The market value of the Properties was about S\$107,628,000 (2015: S\$109,740,000). The market value is determined using the summation of the open market value of the land and the depreciated replacement cost of the building. The open market value is determined by reference to the development charge for the geographical sector under the Civic & Community Institution use and adjusted according to its location. The depreciated replacement cost of the building is based on the estimated current building construction cost and depreciated with regard to the age and conditions. The valuation reports are dated 5 May 2016 and 6 May 2016 (2015: 12 March 2015).

THE SALVATION ARMY, SINGAPORE

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for the financial year ended 31 March 2016

12. Investment property

	<u>Investment property</u> S\$
Cost:	
At 01/04/2014	516,473
At 31/03/2015	<u>516,473</u>
At 31/03/2016	<u>516,473</u>
Accumulated depreciation:	
At 01/04/2014	341,826
Depreciation for the year	15,688
At 31/03/2015	<u>357,514</u>
Depreciation for the year	15,688
At 31/03/2016	<u>373,202</u>
Net carrying amount:	
At 31/03/2015	<u>158,959</u>
At 31/03/2016	<u>143,271</u>

The market value of the freehold investment property was about S\$4,850,000 (2015: S\$5,000,000). The valuation was conducted by the same party using the same valuation methodology as disclosed in Note 11. The date of the valuation report is 5 May 2016 (2015: 12 March 2015).

13. Investments in financial assets

	<u>2016</u> S\$	<u>2015</u> S\$
Quoted bonds, at cost	26,887,380	18,692,710
Quoted equity shares, at cost	8,692,604	19,038,464
Cash with fund manager for investment purpose	1,717,978	1,874,692
	<u>37,297,962</u>	<u>39,605,866</u>
Presentation in the statement of financial position as:		
Current	13,488,488	24,751,089
Non-current	23,809,474	14,854,777
	<u>37,297,962</u>	<u>39,605,866</u>

The above are investments in companies listed on the Singapore and foreign stock exchange (2015: Singapore Stock Exchange). The market value of the bonds and equity shares at the end of the reporting period was S\$26,316,433 and S\$8,324,820 for bonds and equity shares, respectively (2015: S\$18,026,726 for bonds and S\$19,685,775 for equity shares).

THE SALVATION ARMY, SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2016

Movement during the year

	<u>2016</u> S\$	<u>2015</u> S\$
At beginning of financial year	39,605,866	44,842,902
Additions	65,605,463	16,347,274
Disposals *	(67,910,348)	(21,542,574)
Capital distribution	(3,019)	(41,736)
At end of financial year	<u>37,297,962</u>	<u>39,605,866</u>
Reconciled to the statement of cash flow as follows:		
Proceeds from sale of investment assets	68,190,277	21,411,116
(Gain)/Loss on disposal of investment in financial assets	(279,929)	131,458
Net *	<u>67,910,348</u>	<u>21,542,574</u>

Allocation difference arises as a result of the difference in proportion allocated by the Organisation of the investments in equity shares to its related party on a year on year basis.

14. Trade and other receivables

	<u>2016</u> S\$	<u>2015</u> S\$
Accrued interest	366,504	202,959
Advances	18,670	9,484
Deposits for utilities and premises	143,868	141,788
Government grant receivable	-	38,331
Prepayments	15,629	31,330
Programme fees receivable	585,771	691,314
Rental fees receivable	67,193	66,274
Other receivables	2,869	5,629
	<u>1,200,504</u>	<u>1,187,109</u>

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NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 March 2016

15. Cash and cash equivalents

	<u>2016</u> S\$	<u>2015</u> S\$
Cash and bank balances		
- Cash at bank	7,249,514	5,986,837
- Cash in hand	34,309	4,110,507
Cash and cash equivalents per statement of financial position	<u>7,283,823</u>	<u>10,097,344</u>
Fixed deposits	38,224,186	36,377,060
Cash and cash equivalents at end of financial period	<u>45,508,009</u>	<u>46,474,404</u>
Less: Monies held on behalf of Medifund	(301,381)	(200,824)
Cash and cash equivalents per statement of cash flows	<u><u>45,206,628</u></u>	<u><u>46,273,580</u></u>

Cash at bank earned interest on floating rates based on daily bank deposit rates. Fixed deposits are made for varying periods of between 1 and 24 months (2015: 1 and 24 months) depending on the cash requirement of the Organisation and earn interest at deposit rates ranging between 0.25% and 1.55% (2015: 0.41% and 1.08%) per annum.

16. Trade and other payables

	<u>2016</u> S\$	<u>2015</u> S\$
Trade payables	787,202	361,546
Accruals	1,079,938	1,874,009
Deposits collected from child care centre and youth hub	177,055	159,006
Deposits collected from customers	64,300	62,300
Deposits collected from patients	204,599	197,668
Deposits collected from tenant	45,884	56,635
Due to International Headquarters (non-trade)	-	1,821
Medifund account	301,381	200,824
Provision for unconsumed leave	431,145	490,176
Other payables	565,466	1,018,545
	<u><u>3,656,970</u></u>	<u><u>4,422,530</u></u>

The Medifund account refers to amount 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 SALVATION ARMY, SINGAPORE

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for the financial year ended 31 March 2016

17. Capital contribution funds

	<u>2016</u> S\$	<u>2015</u> S\$
At beginning of financial year	44,672,348	44,044,350
Depreciation	(3,793,995)	(2,769,842)
Transfers from designated (capital) funds (Note 18)	4,724,588	-
Transfers from designated (operational) funds (Note 19)	1,107,495	3,215,766
Transfers from unrestricted funds	223,548	182,074
At end of financial year	<u>46,933,984</u>	<u>44,672,348</u>

18. Designated (capital) funds

	<u>2016</u> S\$	<u>2015</u> S\$
Property maintenance levy		
At beginning of financial year	46,495,397	40,257,448
Income	1,729,026	1,016,191
Expenditures	(884,347)	(309)
Transfers to capital contribution funds (Note 17)	(4,724,588)	-
Transfers to restricted funds (Note 20)	(3,999,669)	-
Transfers from unrestricted funds	955,881	5,222,067
At end of financial year	<u>39,571,700</u>	<u>46,495,397</u>

THE SALVATION ARMY, SINGAPORE

NOTES TO THE FINANCIAL STATEMENTS
for the financial year ended 31 March 2016

19. Designated (operational) funds

	<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\$
At 01/04/2014						
Income	100,132	900,374	33,500	251,701	4,350,721	2,563,441
Expenditures	472	100,912	253,117	1,239	22,200	27,090
Transfers to capital contribution funds (Note 17)	(41,269)	(259,556)	-	-	-	(1,616)
Transfers between designated (operational) funds	-	-	-	-	-	(700,282)
Transfers from unrestricted funds	-	-	-	-	145,672	-
At 31/03/2015	37,440	140,880	-	-	(128,019)	325,516
Income	96,775	882,610	286,617	252,940	4,390,574	2,214,149
Expenditures	-	84,158	-	-	3,819,932	37,151
Transfers to capital contribution funds (Note 17)	(71,363)	(265,488)	-	(962)	(3,049,015)	(6,047)
Transfers between designated (operational) funds	-	-	-	-	-	(636,243)
Transfers from unrestricted funds	7,200	14,660	-	-	(271,048)	28,800
At 31/03/2016	28,080	137,400	-	-	(332,527)	284,400
	60,692	853,340	286,617	251,978	4,557,916	1,922,210

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for the financial year ended 31 March 2016

	<u>Property Repair</u> S\$	<u>Furniture, Fixtures and Equipment Replacement</u> S\$	<u>Development Fund</u> S\$	<u>Special Project</u> S\$	<u>Sectional Activities</u> S\$	<u>Total</u> S\$
At 01/04/2014						
Income	3,785,648	221,193	638,527	6,088,916	108,580	19,042,733
Expenditures	359,723	21,790	18,668	17,820	-	823,031
Transfers to capital contribution funds (Note 17)	(3,207,900)	(39,730)	(125,036)	(777,906)	-	(4,453,013)
Transfers from restricted funds (Note 20)	(309,111)	-	-	(2,206,373)	-	(3,215,766)
Transfers between designated (operational) funds	-	-	-	179,738	-	179,738
Transfers from unrestricted funds	-	-	-	(37,092)	(108,580)	-
At 31/03/2015	1,736,870	6,218	-	-	-	2,118,905
Income	2,365,230	209,471	532,159	3,265,103	-	14,495,628
Expenditures	622,287	26,085	47,353	2,519,350	-	7,156,316
Transfers to capital contribution funds (Note 17)	(1,979,644)	(80,555)	(185,825)	(850,332)	-	(6,489,231)
Transfers from designated (operational) funds	(367,990)	-	-	(103,262)	-	(1,107,495)
Transfers between unrestricted funds	218,588	1,800	-	-	-	-
At 31/03/2016	1,546,134	7,020	-	7,569	-	1,678,076
	<u>2,404,605</u>	<u>163,821</u>	<u>393,687</u>	<u>4,838,428</u>	<u>-</u>	<u>15,733,294</u>

Funds under special projects refer to those:

- set aside for purchase and other costs of new accounting system;
- set aside for purchase of programme equipment and improvements for the elderly day care centre; and
- amount received under the Community Silver Trust ("CST") for the renovation, purchase of equipment, staff costs and other costs for nursing home. CST is a funding programme by the Singapore government.

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for the financial year ended 31 March 2016

20. Restricted funds

	<u>Brigadier Ian Eng Soon</u> S\$	<u>Legacy</u> S\$	<u>Special projects</u> S\$	<u>IngoT System</u> S\$	<u>Total</u> S\$
At 01/04/2014	3,669	13,632	2,347	179,738	199,386
Income	-	85	-	-	85
Transfers to designated (operational) funds (Note 19)	-	-	-	(179,738)	(179,738)
Transfers to unrestricted funds	-	-	(1,233)	-	(1,233)
At 31/03/2015	3,669	13,717	1,114	-	18,500
Refund of donation	-	109	(2,000,000)	-	(1,999,891)
Expenditures	-	(40)	-	-	(40)
Transfers from designated (capital) funds (Note 18)	-	-	3,999,669	-	3,999,669
At 31/03/2016	3,669	13,786	2,000,783	-	2,018,238

In FY2015, the Organisation received donations of S\$2,000,000 each from two donors. Such amounts were earmarked to fund a project, Jade Circle Project, to set up a new nursing home for elderly dementia patients. The donation income was then transferred to Designated (Capital) Fund as this project relates to properties. During the current financial year, the Jade Circle Project was shelved. The S\$3,999,669 received from the donors was transferred from Designated (Capital) Fund to Restricted Fund. S\$2,000,000 received from one of the donors was refunded at the donor's request (Note 4).

Special projects fund of S\$1,999,669 is for the Jade Circle Project and the balance amount of S\$1,114 is for the Transitional Care Facility activity room furnishings.

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for the financial year ended 31 March 2016

21. 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>2016</u> S\$	<u>2015</u> S\$
Transactions with The Salvation Army, Malaysia:		
Allocation (to) Malaysia	(205,415)	-
Laptop levy	5,267	3,288
Officers' retreat contribution	2,720	2,527
Service income received in respect of HQ administration support	502,772	664,863
Transactions with The Salvation Army, Myanmar:		
Allocation (to) Myanmar	(170,477)	(541,982)
Service income received in respect of HQ administration support	406,731	-
Transactions with International Headquarters:		
Management fees paid to the International Headquarters	<u>(26,413)</u>	<u>(26,054)</u>

b) Compensation of key management personnel

	<u>2016</u> S\$	<u>2015</u> S\$
Salaries and other short-term employee benefits	<u>846,248</u>	<u>975,788</u>
Number of key management in remuneration bands:		
< S\$100,000	8	8
S\$100,000 - S\$150,000	3	4
> S\$150,000	<u>1</u>	<u>-</u>

Key management personnel comprise members of the Finance Council and two other personnel who are not member of the Finance Council. Except for the above, there is no claim by the key management personnel for services provided to the Organisation, either by reimbursements or by providing the key management with an allowance or by direct payment to a third party.

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for the financial year ended 31 March 2016

22. Commitments

a) 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>2016</u> S\$	<u>2015</u> S\$
Not later than one year	500,636	-
Later than one year but not later than five years	<u>55,902</u>	<u>-</u>
	<u><u>556,538</u></u>	<u><u>-</u></u>

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

Rental income	<u><u>288,627</u></u>	<u><u>275,822</u></u>
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b) 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>2016</u> S\$	<u>2015</u> S\$
Not later than one year	268,140	73,764
Later than one year but not later than five years	<u>36,690</u>	<u>102,549</u>
	<u><u>304,830</u></u>	<u><u>176,313</u></u>

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

Rental expense	<u><u>268,140</u></u>	<u><u>83,668</u></u>
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23. 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.