

**TELOK AYER CHINESE METHODIST CHURCH
AND
TELOK AYER CHINESE METHODIST CHURCH
(TA2 SANCTUARY)**

**FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED
31 JULY 2019**

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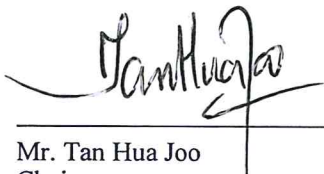
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**TELOK AYER CHINESE METHODIST CHURCH
AND TELOK AYER CHINESE METHODIST CHURCH (TA2 SANCTUARY)**

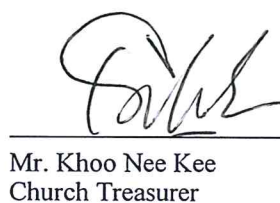
STATEMENT BY THE LOCAL CHURCH EXECUTIVE COMMITTEE

In the opinion of the Local Church Executive Committee, the financial statements of Telok Ayer Chinese Methodist Church and Telok Ayer Chinese Methodist Church (TA2 Sanctuary) (the "Church") as set out on pages 5 to 23 are properly drawn up in accordance with the Charities Act, Chapter 37 and other relevant regulations and Financial Reporting Standards in Singapore, so as to present fairly, in all material respects, the financial position of the Church as at 31 July 2019 and the financial performance, changes in accumulated fund and other funds and cash flows of the Church for the financial year ended on that date.

On behalf of the Local Church Executive Committee


Mr. Tan Hua Joo
Chairman




Mr. Khoo Nee Kee
Church Treasurer



21 SEP 2019

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
TELOK AYER CHINESE METHODIST CHURCH AND
TELOK AYER CHINESE METHODIST CHURCH (TA2 SANCTUARY)****Report on the Audit of the Financial Statements*****Opinion***

We have audited the accompanying financial statements of Telok Ayer Chinese Methodist Church and Telok Ayer Chinese Methodist Church (TA2 Sanctuary) (the "Church") as set out on pages 5 to 23, which comprise the balance sheet as at 31 July 2019, and the statement of comprehensive income, statement of changes in accumulated fund and other funds and statement of cash flows for the financial 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 Charities Act, Chapter 37 and other relevant regulations (the "Charities Act and Regulations") and Financial Reporting Standards in Singapore ("FRSs") so as to present fairly, in all material respects, the financial position of the Church as at 31 July 2019 and the financial performance, changes in accumulated fund and other funds and cash flows of the Church for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Church in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Local Church Executive Committee is responsible for the other information. The other information comprises the statement by the Local Church Executive Committee as set out on page 1 and the information included in the Annual Report for the financial year, but does not include the financial statements and our auditor's report thereon.

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

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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
TELOK AYER CHINESE METHODIST CHURCH AND
TELOK AYER CHINESE METHODIST CHURCH (TA2 SANCTUARY) (cont'd)**

Report on the Audit of the Financial Statements (cont'd)

Responsibilities of the Local Church Executive Committee and Those Charged with Governance for the Financial Statements

The Local Church Executive Committee is responsible for the preparation and fair presentation of these financial statements in accordance with the Charities Act and Regulations and FRSs, and for such internal control as the Local Church Executive Committee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

~~In preparing the financial statements, the Local Church Executive Committee is responsible for assessing the Church'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 Local Church Executive Committee either intends to liquidate the Church or to cease operations, or has no realistic alternative but to do so.~~

Those charged with the governance are responsible for overseeing the Church's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Church's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Local Church Executive Committee.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
TELOK AYER CHINESE METHODIST CHURCH AND
TELOK AYER CHINESE METHODIST CHURCH (TA2 SANCTUARY) (cont'd)**

Report on the Audit of the Financial Statements (cont'd)

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

- Conclude on the appropriateness of the Local Church Executive Committee'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 Church'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 Church to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Legal and Regulatory Requirements

During the course of our audit, nothing has come to our attention that causes us to believe that during the financial year, the Church has not complied with the requirements of Regulation 7 (Fund-raising expenses) of the Charities (Fund-Raising Appeals for Local and Foreign Charitable Purposes) Regulations 2012.



Baker Tilly TFW LLP
Public Accountants and
Chartered Accountants
Singapore

21 September 2019

**TELOK AYER CHINESE METHODIST CHURCH
AND TELOK AYER CHINESE METHODIST CHURCH (TA2 SANCTUARY)**

STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 July 2019

	Note	2019 \$	2018 \$
Income			
Sunday and other offerings		1,959,408	1,086,925
Pledges		1,078,300	1,050,819
Donations from members		164,226	610,298
Interest income		48,882	34,861
The Capstone Kindergarten		526,372	514,990
Other income		26,085	31,071
Total income		3,803,273	3,328,964
Less expenditure			
Pastoral support	3	926,334	826,412
Maintenance of Church premises		145,593	147,298
Pulpit supplies		46,874	27,440
Congregational expenses		147,553	144,842
Administrative expenses		546,360	544,688
Church outreach programmes		114,835	91,695
Church commitments	4	168,691	167,096
Depreciation of property and equipment	6	696,699	682,174
The Capstone Kindergarten		622,113	618,703
Designated fund disbursements		463,340	470,805
Total expenditure	5	3,878,392	3,721,153
Total deficit and total comprehensive loss for the financial year		(75,119)	(392,189)

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

**TELOK AYER CHINESE METHODIST CHURCH
AND TELOK AYER CHINESE METHODIST CHURCH (TA2 SANCTUARY)**

**BALANCE SHEET
At 31 July 2019**

	Note	2019 \$	2018 \$
Non-current asset			
Property and equipment	6	3,981,000	4,581,798
Current assets			
Sundry receivables	7	165,509	54,759
Cash and cash equivalents	8	4,522,405	3,761,952
		4,687,914	3,816,711
Total assets		8,668,914	8,398,509
Current liabilities			
Sundry payables	9	658,308	411,005
Contract liabilities	10	98,221	—
Total liabilities		756,529	411,005
Net assets		7,912,385	7,987,504
Funds			
Accumulated fund	11	2,065,717	2,205,626
Asset capitalisation reserve	12	3,864,776	4,513,304
Other funds	13	1,981,892	1,268,574
Total funds		7,912,385	7,987,504

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

**TELOK AYER CHINESE METHODIST CHURCH
AND TELOK AYER CHINESE METHODIST CHURCH (TA2 SANCTUARY)**

**STATEMENT OF CHANGES IN ACCUMULATED FUND AND OTHER FUNDS
For the financial year ended 31 July 2019**

	Accumulated fund \$	Asset capitalisation reserve \$	Other funds \$	Total funds \$
At 1 August 2017	2,085,866	5,139,031	1,154,796	8,379,693
Total surplus/(deficit) and total comprehensive income/(loss) for the financial year	179,760	(648,530)	76,581	(392,189)
Fund transfers	(60,000)	22,803	37,197	–
At 31 July 2018	2,205,626	4,513,304	1,268,574	7,987,504
Total surplus/(deficit) and total comprehensive income/(loss) for the financial year	40,091	(648,528)	533,318	(75,119)
Fund transfers	(180,000)	–	180,000	–
At 31 July 2019	2,065,717	3,864,776	1,981,892	7,912,385

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

**TELOK AYER CHINESE METHODIST CHURCH
AND TELOK AYER CHINESE METHODIST CHURCH (TA2 SANCTUARY)**

**STATEMENT OF CASH FLOWS
For the financial year ended 31 July 2019**

	2019 \$	2018 \$
Cash flows from operating activities		
Total deficit for the financial year	(75,119)	(392,189)
Adjustments for:		
Depreciation of property and equipment	696,699	682,174
Interest income	(48,882)	(34,861)
Operating surplus before working capital changes	572,698	255,124
Receivables	(99,025)	(28,797)
Payables and contract liabilities	345,524	103,195
Net cash from operating activities	819,197	329,522
Cash flows from investing activities		
Interest received	37,157	22,571
Purchase of property and equipment	(95,901)	(41,943)
Net cash used in investing activities	(58,744)	(19,372)
Net increase in cash and cash equivalents	760,453	310,150
Cash and cash equivalents at beginning of the financial year	3,761,952	3,451,802
Cash and cash equivalents at end of the financial year (Note 8)	4,522,405	3,761,952

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

**TELOK AYER CHINESE METHODIST CHURCH
AND TELOK AYER CHINESE METHODIST CHURCH (TA2 SANCTUARY)**

**NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 July 2019**

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

1. General information

Telok Ayer Chinese Methodist Church and Telok Ayer Chinese Methodist Church (TA2 Sanctuary) is principally engaged in the propagation and spread of the Gospel of Jesus Christ.

The Church's principal place of operation is at 235 Telok Ayer Street, Singapore 068656.

2. Summary of significant accounting policies

a) Basis of preparation

The financial statements, presented in Singapore dollar ("S\$"), which is the functional currency of the Church, have been prepared in accordance with the Charities Act, Chapter 37 and other relevant regulations and Financial Reporting Standards in Singapore ("FRSs"). The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRSs requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions and historical experiences and various other factors that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates.

Use of estimates and judgements

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. There were no significant judgments and estimates made during the financial year.

The carrying amounts of cash and cash equivalents, sundry receivables and payables approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

New and revised standards

In the current financial year, the Church has adopted all the new and revised FRSs and Interpretations of FRSs ("INT FRSs") that are relevant to its operations and effective for the current financial year. The adoption of these new and revised FRSs and INT FRSs did not have any material effect on the financial statements of the Church.

2. Summary of significant accounting policies (cont'd)

a) Basis of preparation (cont'd)

New and revised standards (cont'd)

FRS 115 Revenue from Contracts with Customers

FRS 115 replaces FRS 18 *Revenue*, FRS 11 *Construction contracts* and other revenue-related interpretations. It applies to all contracts with customers, except for leases, financial instruments, insurance contracts and certain guarantee contracts and non-monetary exchange contracts. FRS 115 provides a single, principle-based model to be applied to all contracts with customers. An entity recognises revenue in accordance with the core principle in FRS 115 by applying a 5-step approach.

Under FRS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. The entity is required to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model; to contracts with their customers. The standard also specifies the accounting for incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Church adopted FRS 115 using the modified retrospective approach without restating prior periods’ information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the accumulated fund as at 1 January 2018.

Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed as at this date. The Church has elected the practical expedient to apply the standard to contracts that are not completed at the date of initial application.

The cumulative effect of initially applying FRS 115 is recognised at the date of initial application as an adjustment to the opening balance of accumulated fund. Therefore, comparative information was not restated and continues to be reported under FRS 11, FRS 18 and related interpretations.

The effect of adoption FRS 115 as at 1 August 2018 was as follows:

	Increase/ (Decrease) \$
Liabilities	
Contract liabilities	112,705
Trade and other payables	
- Deferred income	(112,705)
	<hr/>
Total liabilities	<hr/> – <hr/>

Set out below are the amounts by which each financial statement line item is affected for the financial year ended 31 July 2019 as a result of adoption of FRS 115. The adoption of FRS 115 did not have a material impact on surplus and total comprehensive income or the Church’s operating, investing and financing cash flows.

2. Summary of significant accounting policies (cont'd)**a) Basis of preparation (cont'd)***New and revised standards (cont'd)****FRS 115 Revenue from Contracts with Customers (cont'd)*****Balance sheet as at 31 July 2019**

	Impact of changes in accounting policies		Balances without adoption of FRS 115
	As reported	Adjustments	
	\$	\$	\$
Liabilities			
Contract liabilities	98,221	(98,221)	–
Trade and other payables			
- Deferred income	–	98,221	98,221

Upon adoption of FRS 115, the Church has changed the presentation of the following amounts:

Deferred income under trade and other payables of \$112,705 as at 1 August 2018 and \$98,221 as at 31 July 2019 were reclassified to contract liabilities.

At the date of initial application and 31 July 2019, the Church has assessed that the adoption of FRS 115 does not have any material impact to the financial results of the Church.

FRS 109 Financial Instruments

FRS 109 replaces FRS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 August 2018. It includes guidance on (i) the classification and measurement of financial assets and financial liabilities; (ii) impairment requirements for financial assets; and (iii) general hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on expected credit loss model and replace FRS 39 incurred loss model.

The Church applied FRS 109 using a modified retrospective approach, with date of initial application on 1 August 2018. The Church has not restated the comparative information, which continues to be reported under FRS 39. Differences arising from the adoption of FRS 109 have been recognised directly in the accumulated fund.

The nature of these adjustments are described below:

Classification and measurement

Under FRS 109, the Church classifies its financial assets based on the Church's model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The assessment of the Church's model was made as of the date of initial application on 1 August 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

2. Summary of significant accounting policies (cont'd)

a) Basis of preparation (cont'd)

New and revised standards (cont'd)

FRS 109 Financial Instruments (cont'd)

Classification and measurement (cont'd)

The following are the changes in classification and measurement arising from adopting FRS 109:

Loans and receivables (including sundry receivables (excluding prepayments) and cash and cash equivalents) as at 31 July 2018 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as debt instruments at amortised cost beginning 1 August 2018.

At the date of initial application and 31 July 2019, the Church has assessed that the adoption of FRS 109 does not have any material impact to the financial position and results of the Church.

New standards, amendments to standards and interpretations that have been issued at the balance sheet date but are not yet effective for the financial year ended 31 July 2019 have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Church except as disclosed below:

FRS 116 Leases

FRS 116 replaces the existing FRS 17: *Leases*. It reforms lessee accounting by introducing a single lessee accounting model. Lessees are required to recognise all leases on their balance sheets to reflect their rights to use leased assets (a “right-of-use” asset) and the associated obligations for lease payments (a lease liability), with limited exemptions for short term leases (less than 12 months) and leases of low value items. The accounting for lessors will not change significantly.

The Church plans to adopt the new standard on the required effective date using the modified retrospective approach and recognises any differences in the carrying amounts of assets and liabilities resulting from the adoption of FRS 116 at the date of initial application in the accumulated fund as at 1 August 2019. Right-of-use assets are recognised at an amount equal to the lease liability (adjusted for any prepaid or accrued lease payments) on adoption.

The standard is effective for annual periods beginning on or after 1 January 2019. The standard will affect primarily the accounting for the Church’s operating leases. At the balance sheet date, the Church has non-cancellable operating lease commitments of \$241,147 (Note 15). The Church anticipates that the adoption of FRS 116 in future may have a material impact on the amounts reported and disclosures made in the financial statements. It is not practicable to provide a reasonable estimate of the impact of FRS 116 until the Church performs a detailed assessment. The Church will perform a detailed assessment of the impact and plans to adopt the standard on the required effective date.

2. Summary of significant accounting policies (cont'd)

b) Recognition of income

The Church has applied FRS 115 using the modified retrospective approach and therefore the comparative information had not been restated and continues to be reported under FRS 18 *Revenue*. The details of the accounting policies are as follows.

The accounting policy for revenue recognition from 1 August 2018 onwards is as follows:

- (i) Income from offerings, pledges, contributions and donations are recognised when received.
- (ii) Fee income from kindergarten is recognised as a performance obligation satisfied over time. Revenue is recognised over the duration of the school term and in the period in which the service is provided, having regard to the stage of completion of the service. Deferred income relating to the service to be rendered in future periods are included in contract liabilities.
- (iii) Interest income - on a time proportion basis over the period of placement of the deposit.

The accounting policy for revenue recognition before 1 August 2018 is as follows:

Offerings, pledges, contributions and donations - when received
 School fee - on time proportion basis over the duration
 Interest income - on a time proportion basis over the period of placement of the deposit

c) Property and equipment

Freehold land is initially recorded at cost and subsequently stated at cost less any impairment in value. Other property and equipment are initially recognised at cost and subsequently stated at cost less accumulated depreciation and any impairment in value.

No depreciation is provided on freehold land. Depreciation is charged so as to allocate the cost of the other property and equipment at annual rate using the straight-line method as follows:

	%
Freehold building	5
Furniture and office equipment	20
Musical equipment	20
Motor vehicles	20
Computers	33½
Electrical installation and air-conditioners	20

The residual values, estimated useful lives and depreciation method of property and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

On disposal of a property and equipment, the difference between the net disposal proceeds and its carrying amount is taken to profit or loss.

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

2. Summary of significant accounting policies (cont'd)

d) Asset capitalisation reserve

Specific donations used for the purchase of freehold land and buildings and related assets, which have been capitalised in the relevant property and equipment accounts are credited to the Asset Capitalisation Reserve. The depreciation charge of the relevant properties and related assets is accounted for in the Asset Capitalisation Reserve account.

e) Employee benefits

Employee leave entitlement

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

Defined contribution plans

The Church contributes to the Central Provident Fund ("CPF"), a defined contribution plan regulated and managed by the Singapore Government. The Church's contributions to CPF are charged to profit or loss in the period in which the contribution relate.

f) Income tax

The Church is a registered charity under the Charities Act and is exempted from income tax under the provisions of the Income Tax Act.

g) Impairment of non-financial assets

Non-financial assets are reviewed for impairment at each balance sheet date or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in the statement of comprehensive income.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recorded in income. However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognised to the extent that it does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for that asset in prior years.

h) Financial assets

The accounting policy for financial assets before 1 August 2018 are as follows:

The Church's only financial assets are loans and receivables which comprise sundry receivables (excluding prepayments) and cash and cash equivalents on the balance sheet.

Loans and receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method, less impairment. The Church assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. When such evidence exists, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

2. Summary of significant accounting policies (cont'd)

h) Financial assets (cont'd)

The accounting policy for financial assets from 1 August 2018 onwards are as follows:

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date - the date on which the Church commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Church has transferred substantially all risks and rewards of ownership.

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets (other than financial assets at fair value through profit or loss) are added to the fair value of the financial assets on initial recognition. Transaction costs directly attributable to acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

Classification and measurement

All financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. The Church classifies its financial assets based on the Church's business model for managing the financial asset and the contractual cash flow characteristics of the financial assets. The Church's financial assets are classified at amortised cost which comprise sundry receivables (excluding prepayments) and cash and cash equivalents.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. Interest income from these financial assets is included in interest income using the EIR method.

Impairment

The Church recognises an allowance for expected credit losses ("ECLs") for financial assets carried at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Church expects to receive, discounted at an approximation of the original effective interest rate.

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

The Church recognises an impairment gain or loss in profit or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

i) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank balances and fixed deposits, which are highly liquid assets, subject to an insignificant risk of change in value.

2. Summary of significant accounting policies (cont'd)**j) Financial liabilities**

Financial liabilities include sundry payables (excluding deferred income). Financial liabilities are recognised on the balance sheet when, and only when, the Church becomes a party to the contractual provisions of the financial instruments. Financial liabilities are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the obligation under the liability is extinguished. Gains and losses are recognised in the statement of comprehensive income when the liabilities are derecognised.

k) Funds

Unless specifically indicated, fund balances are not represented by any specific assets, but are represented by all assets of the Church. Income and expenses relating to the various funds specifically set up are taken directly to these funds and reflected in the statement of comprehensive income.

3. Pastoral support

	2019 \$	2018 \$
Pastors' salaries and related costs	466,002	348,803
Office and ministry staff salaries and related costs	390,925	412,585
Honorarium	5,897	7,189
Motor vehicles' maintenance	10,276	16,223
Sundries	53,234	41,612
	926,334	826,412

Pastors' salaries and related costs, and office and ministry staff salaries and related costs include contributions to Central Provident Fund of \$74,457 (2018: \$79,699).

4. Church commitments

	2019 \$	2018 \$
Annual Conference Commitments	147,840	147,120
Donation to Annual Conference Board:		
- General Conference Commitment Funds	18,480	18,390
Others	2,371	1,586
	168,691	167,096

5. Expenditure

	2019 \$	2018 \$
Expenditure includes the following:		
- Salaries and related costs	1,663,078	1,494,865
- Contribution to Central Provident Fund	162,146	177,285

6. Property and equipment

	At 1.8.2018 \$	Additions \$	Write off \$	At 31.7.2019 \$
2019				
Cost				
Freehold land	3	—	—	3
Freehold building	15,634,213	—	—	15,634,213
Furniture and office equipment	301,816	781	—	302,597
Musical equipment	271,353	2,300	—	273,653
Motor vehicles	167,521	78,800	(60,470)	185,851
Computers	123,353	14,020	—	137,373
Electrical installation and air-conditioners	28,061	—	—	28,061
	16,526,320	95,901	(60,470)	16,561,751
Accumulated depreciation				
Freehold building	11,149,604	621,250	—	11,770,854
Furniture and office equipment	256,567	22,230	—	278,797
Musical equipment	268,684	1,128	—	269,812
Motor vehicles	146,110	37,170	(60,470)	122,810
Computers	116,615	9,641	—	126,256
Electrical installation and air-conditioners	6,942	5,280	—	12,222
	11,944,522	696,699	(60,470)	12,580,751

6. Property and equipment (cont'd)

	At 1.8.2017 \$	Additions \$	At 31.7.2018 \$
2018			
Cost			
Freehold land	3	—	3
Freehold building	15,634,213	—	15,634,213
Furniture and office equipment	294,916	6,900	301,816
Musical equipment	268,018	3,335	271,353
Motor vehicles	167,521	—	167,521
Computers	118,044	5,309	123,353
Electrical installation and air-conditioners	1,662	26,399	28,061
	16,484,377	41,943	16,526,320
Accumulated depreciation			
Freehold building	10,528,354	621,250	11,149,604
Furniture and office equipment	231,755	24,812	256,567
Musical equipment	267,525	1,159	268,684
Motor vehicles	124,700	21,410	146,110
Computers	108,352	8,263	116,615
Electrical installation and air-conditioners	1,662	5,280	6,942
	11,262,348	682,174	11,944,522
		At 31.7.2019 \$	At 31.7.2018 \$
Net carrying value			
Freehold land		3	3
Freehold building		3,863,359	4,484,609
Furniture and office equipment		23,800	45,249
Musical equipment		3,841	2,669
Motor vehicles		63,041	21,411
Computers		11,117	6,738
Electrical installation and air-conditioners		15,839	21,119
		3,981,000	4,581,798

The depreciation charge of \$648,528 (2018: \$648,530) is funded by Asset Capitalisation Reserve (Note 11).

7. Sundry receivables

	2019 \$	2018 \$
Sundry deposits	17,925	27,737
Prepayments	116,603	4,667
Other receivable	–	3,099
Interest receivable	30,981	19,256
	165,509	54,759

8. Cash and cash equivalents

	2019 \$	2018 \$
Cash at bank and on hand	778,235	560,598
Fixed deposits	3,744,170	3,201,354
	4,522,405	3,761,952

The fixed deposits are placed with the bank and will mature on varying dates within 1 year (2018: 1 year) after the balance sheet date. The interest rates of these fixed deposits at balance sheet date range from 1.80% to 1.91% (2018: 0.75% to 1.55%) per annum.

9. Sundry payables

	2019 \$	2018 \$
Provision for bonus	143,597	127,510
Accrued operating expenses	64,692	38,371
Sundry creditors	425,019	107,419
Deposit from a member	25,000	25,000
Deferred income	–	112,705
	658,308	411,005

10. Contract liabilities

Contract liabilities relate to advance consideration received from students and deferred income. Contract liabilities are recognised as revenue as (or when) the Church satisfies the performance obligations under its contracts.

The following table provides information about contract liabilities from contracts with students.

	31.7.2019 \$	1.8.2018 \$
Contract liabilities	98,221	112,705

The revenue recognised during the financial year that was included in the contract liabilities balance as at 1 August 2018 is \$112,705.

11. Accumulated fund

	2019 \$	2018 \$
At beginning of the financial year	2,205,626	2,085,866
Transfer to Sinking Fund	—	(60,000)
Transfer to TA130 Celebration Fund (Note 13)	(180,000)	—
Surplus for the year	40,091	179,760
At end of the financial year	2,065,717	2,205,626

12. Asset capitalisation reserve

	2019 \$	2018 \$
At beginning of the financial year	4,513,304	5,139,031
Transfers from CBRE Fund	—	22,803
Net transfers	4,513,304	5,161,834
Less depreciation for:		
Building	(619,833)	(619,834)
Motor vehicles	(21,410)	(21,410)
Furniture and office equipment	(4,104)	(4,104)
Electrical installation and air-conditioners	(3,181)	(3,182)
Total depreciation charge (Note 6)	(648,528)	(648,530)
At end of the financial year	3,864,776	4,513,304

13. Other funds

	At 1.8.2018 \$	Additions \$	Expenditure \$	Fund transfer \$	At 31.7.2019 \$
Endeavour Fellowship Fund	79,798	6,191	(3,733)	—	82,256
Women's Society of Christian Service Fund	52,418	24,645	(24,895)	—	52,168
Mission Fund	78,229	224,665	(278,464)	—	24,430
Sinking Fund	360,000	—	—	—	360,000
Gwee Ah Leng Fund	8,245	—	(960)	—	7,285
Theological Fund	118,721	47,000	(38,401)	—	127,320
Church Building Renovation and Extension Fund	467,971	140,822	(2,540)	—	606,253
Fund for the Needy	103,192	1,400	(9,520)	—	95,072
TA130 Celebration Fund	—	44,475	(104,827)	180,000	119,648
TA2019 Building Fund	—	507,460	—	—	507,460
	1,268,574	996,658	(463,340)	180,000	1,981,892

13. Other funds (cont'd)

	At 1.8.2017 \$	Additions \$	Expenditure \$	Fund transfer \$	At 31.7.2018 \$
Endeavour Fellowship Fund	74,320	8,073	(2,595)	–	79,798
Women's Society of Christian Service Fund	50,081	21,780	(19,443)	–	52,418
Mission Fund	65,890	355,034	(342,695)	–	78,229
Sinking Fund	300,000	–	–	60,000	360,000
Gwee Ah Leng Fund	8,805	–	(560)	–	8,245
Theological Fund	78,460	73,000	(32,739)	–	118,721
Church Building Renovation and Extension Fund	476,698	77,799	(63,723)	(22,803)	467,971
Fund for the Needy	100,542	11,700	(9,050)	–	103,192
	<u>1,154,796</u>	<u>547,386</u>	<u>(470,805)</u>	<u>37,197</u>	<u>1,268,574</u>

- (i) The purpose of the Endeavour Fellowship Fund is to finance the activities of the fellowship.
- (ii) The purpose of the Women's Society of Christian Service Fund is to finance its own activities.
- (iii) The purpose of the Mission Fund is for mission awareness and activities.
- (iv) The purpose of the Sinking Fund is for whitewashing and major maintenance of the Church building.
- (v) The Gwee Ah Leng Fund is set up to provide financial assistance to the poor and needy families of Church members.
- (vi) The Theological Fund is set up to support theological students from the Church.
- (vii) The Church Building Renovation and Extension Fund ("CBRE Fund") is set up to support the renovation of the Church.
- (viii) The Fund for the Needy is set up to provide financial assistance to the poor and needy families of Church members.
- (ix) The TA130 Celebration Fund is set up to celebrate the 130th Anniversary of the Church.
- (x) The TA2019 Building Fund is set up for the renovation of 235 Telok Ayer premises only.

14. Significant related party transactions

During the financial year, the following significant related party transactions took place between the Church and related parties on terms agreed by the parties concerned:

	2019 \$	2018 \$
Pastoral support - salaries and related cost	<u>444,337</u>	324,796

15. Commitments***Capital commitments***

Capital commitments not provided for in the financial statements:

	2019 \$	2018 \$
Capital commitments in respect of property and equipment		
- Approved and contracted	256,340	–
- Approved but not contracted for	2,943,660	–

Operating lease commitments

Commitments in relation to non-cancellable operating leases for premises and office equipment contracted for but not recognised as liabilities, are payable as follows:

	2019 \$	2018 \$
Not later than one financial year	73,473	7,316
Later than one financial year but not later than five financial years	167,674	10,147
	241,147	17,463

The leases do not provide for option to renew.

16. Financial instruments***Categories of financial instruments***

Financial instruments at their carrying amounts at the balance sheet date are as follows:

	2019 \$	2018 \$
<i>Financial assets</i>		
Loans and receivables	–	3,812,044
Financial assets at amortised cost	4,571,311	–
	4,571,311	3,812,044
<i>Financial liabilities</i>		
Financial liabilities at amortised cost	658,308	298,300

Financial risk management

The main risks arising from the Church's financial management are interest rate risk, credit risk, foreign currency risk and liquidity risk. The Church reviews and agrees policies for managing these risks and they are summarised below:

Interest rate risk

The Church is not exposed to significant interest rate risk as its only interest-bearing asset is the fixed deposits.

16. Financial instruments (cont'd)

Financial risk management (cont'd)

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Church's exposure to credit risk arises primarily from cash and cash equivalents and sundry receivables. For financial assets, including cash and cash equivalents, the Church minimises credit risk by dealing exclusively with high credit rating counterparties.

The Church does not have any significant concentration of credit risk exposure. The maximum exposure to credit risk is represented by the carrying value of each class of financial assets recognised on the balance sheet. Credit risk exposure in relation to financial assets at amortised cost as at 31 July 2019 is insignificant, and accordingly no credit loss allowance is recognised as at 31 July 2019. There were no financial assets that are past due and/or impaired.

Foreign currency risk

The Church has no financial assets and liabilities held in foreign currency.

Liquidity risk

The Local Church Executive Committee exercises prudent liquidity and cash flow risk management policies and aims at maintaining a high level of liquidity and cash flow at all times.

The financial liabilities of the Church as presented on the balance sheet are due within twelve months from the balance sheet date and approximate the contractual undiscounted repayment obligations.

Fair values

The carrying amounts of the financial assets and liabilities recorded in the financial statements of the Church approximates their fair values due to their relatively short-term maturity.

17. Fund management

The Church's objectives when managing its funds are to safeguard and to maintain adequate working capital to continue as a going concern and to develop its principal activities over the longer term through the school fees income and significant support in the form of sundry and other offerings, pledges and donations.

The Church's overall fund management objective remains unchanged from previous financial year.

18. Authorisation of financial statements

The financial statements of the Church for the financial year ended 31 July 2019 were authorised for issue in accordance with a resolution of the Local Church Executive Committee dated 21 September 2019.