

SINGAPORE CHILDREN'S SOCIETY

Unique Entity Number: S62SS0057G

**REPORT & FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2013

**LO HOCK LING & CO**

*Certified Public Accountants*

盧鶴齡會計公司



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## Table Of Contents

Particulars of the Society	1
Statement by Executive Committee	2
Independent Auditors' Report	3
Balance Sheet	5
Statement of Comprehensive Income	6
Statement of Changes in Funds	7
Statement of Cash Flows	8
Notes to the Financial Statements	9

# SINGAPORE CHILDREN'S SOCIETY

## PARTICULARS OF THE SOCIETY AS AT 31 DECEMBER 2013

### 1. INSTRUMENT OF SETTING UP THE SOCIETY

Constitution of Singapore Children's Society

### 2. UNIQUE ENTITY NUMBER OF THE SOCIETY

S62SS0057G

### 3. INSTITUTION OF A PUBLIC CHARACTER

IPC 000460

### 4. REGISTERED ADDRESS

298 Tiong Bahru Road #09-05 Central Plaza Singapore 168730

### 5. KEY EXECUTIVE COMMITTEE

<u>Name</u>	<u>Designation</u>
Mr Koh Choon Hui	Chairman
Professor Ho Lai Yun	Vice-Chairman
Mr Tan Suee Chieh	Vice-Chairman
Mrs Mae-Lim Hoon Ann	Honorary Secretary
Mr Ho Lon Gee	Honorary Treasurer
Ms Tan Khiaw Ngoh	Honorary Assistant Secretary
Ms Theresa Sim May Ling	Honorary Assistant Treasurer

### 6. AUDIT COMMITTEE

Mr Tan Suee Chieh  
Mr Harry Chua Chin Nam  
Mr Philip Tan Seng Leong

### 7. INVESTMENT COMMITTEE

Mr Ho Lon Gee  
Mr Koh Choon Hui  
Professor Ho Lai Yun  
Ms Theresa Sim May Ling  
Mr Gwee Lian Kheng  
Mr Wee Chorng Kien, Kurt

### 8. PRINCIPAL BANKERS

CIMB Bank  
DBS Bank Limited  
Oversea-Chinese Banking Corporation Limited  
UBS AG  
United Overseas Bank Limited

### 9. INDEPENDENT AUDITORS

Lo Hock Ling & Co.  
Chartered Accountants Singapore

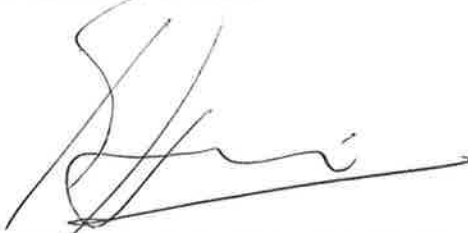
## **SINGAPORE CHILDREN'S SOCIETY**

( Registered under the Societies Act, Chapter 311 )

### **Statement by Executive Committee**

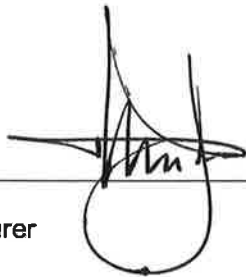
In our opinion, the financial statements set out on pages 5 to 28 are drawn up so as to present fairly, in all material respects, the state of affairs of Singapore Children's Society (the "Society") as at 31 December 2013 and the income and expenditure, changes in funds and cash flows of the Society for the year ended on that date in accordance with Singapore Financial Reporting Standards.

On behalf of the Executive Committee



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**Koh Choon Hui**  
Chairman



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**Ho Lon Gee**  
Honorary Treasurer

Singapore, 28 March 2014

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

**SINGAPORE CHILDREN'S SOCIETY**

( Registered under the Societies Act, Chapter 311 )

**Report on the Financial Statements**

We have audited the accompanying financial statements of Singapore Children's Society (the "Society") set out on pages 5 to 28, which comprise the balance sheet as at 31 December 2013, and the statement of comprehensive income, statement of changes in funds and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Singapore Financial Reporting Standards and the Societies Act, Cap.311, 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

*Auditors' 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 controls relevant to the entity'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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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 AUDITORS' REPORT TO THE MEMBERS OF  
**SINGAPORE CHILDREN'S SOCIETY**

( Registered under the Societies Act, Chapter 311 )

(continued)

*Opinion*

In our opinion, the financial statements are properly drawn up in accordance with Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Society as at 31 December 2013 and the results, changes in funds and cash flows of the Society for the year ended on that date.

**Report on Other Legal and Regulatory Requirements**

In our opinion,

- (a) the accounting and other records required by the regulations enacted under the Societies Act to be kept by the Society have been properly kept in accordance with those regulations; and
- (b) the fund-raising appeal held during the year has been carried out in accordance with regulation 6 of the Societies Regulations issued under the Societies Act Chapter 311 and proper accounts and other records have been kept of the fund-raising appeal.

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

- (i) the use of the donation moneys was not in accordance with the objectives of the Society as required under regulation 16 of the Charities (Institutions of a Public Character) Regulations; and
- (ii) the Society has not complied with the requirements of regulation 15 (Fund-raising expenses) of the Charities (Institutions of a Public Character) Regulations.



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

Singapore, 28 March 2014

# SINGAPORE CHILDREN'S SOCIETY

( Registered under the Societies Act, Chapter 311 )

## Balance Sheet as at 31 December 2013

	<u>Notes</u>	<u>2013</u>	<u>2012</u>
		\$	\$
<b>Non-current assets</b>			
Property, plant and equipment	3	396,310	215,379
Investments in available-for-sale financial assets	4	14,537,828	9,261,974
Investments in held-to-maturity financial assets	5	-	9,513,950
		14,934,138	18,991,303
<b>Current assets</b>			
Inventories	6	9,208	14,804
Receivables	7	570,601	631,879
Fixed deposits with financial institutions	8	45,018,981	36,402,178
Cash and bank balances		7,385,620	5,872,229
		52,984,410	42,921,090
<b>Total assets</b>		<u>67,918,548</u>	<u>61,912,393</u>
<b>Funds and reserves</b>			
Accumulated fund	9	44,237,562	38,918,784
Professor S.S. Ratnam Memorial Fund	9	246,273	246,826
Children's Medical Fund	9	20,458,863	20,712,644
Inspire Fund	9	7,130	37,940
Madam Ho Yun Wai Fund	9	504,505	-
Fair value reserve	10	1,367,310	1,059,706
<b>Total funds and reserves</b>		66,821,643	60,975,900
<b>Non-current liabilities</b>			
Provision for restoration costs	11	112,500	112,500
		112,500	112,500
<b>Current liabilities</b>			
Payables	12	984,405	823,993
		984,405	823,993
<b>Total liabilities</b>		<u>1,096,905</u>	<u>936,493</u>
<b>Total funds, reserves and liabilities</b>		<u>67,918,548</u>	<u>61,912,393</u>

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

# SINGAPORE CHILDREN'S SOCIETY

( Registered under the Societies Act, Chapter 311 )

## Statement of Comprehensive Income for the year ended 31 December 2013

	<u>Notes</u>	<u>2013</u>	<u>2012</u>
		\$	\$
<b>Income</b>			
Donations and fund raising income	13	13,720,566	12,644,356
Grants		2,918,480	2,447,454
Other income	14	1,135,685	1,065,427
		<u>17,774,731</u>	<u>16,157,237</u>
<b>Expenditure</b>			
Administrative expenses		1,389,397	1,227,954
Children's home expenses		1,270,947	1,277,682
Children's medical fund expenses		387,795	299,348
Fund raising expenses	15	3,209,514	1,910,636
Information and corporate communications expenses		199,831	309,335
Research and advocacy expenses		1,068,749	904,321
Social work service expenses		4,710,359	4,044,489
	16	<u>12,236,592</u>	<u>9,973,765</u>
<b>Surplus of income over expenditure</b>		5,538,139	6,183,472
<b>Other comprehensive income:</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Net fair value gain on financial assets	10	307,604	1,646,386
<b>Other comprehensive income for the year</b>		<u>307,604</u>	<u>1,646,386</u>
<b>Total comprehensive income for the year</b>		<u>5,845,743</u>	<u>7,829,858</u>
<b>Total comprehensive income attributable to:</b>			
<b>Unrestricted funds:</b>			
Accumulated fund		5,318,778	6,307,437
<b>Restricted funds:</b>			
Professor S.S. Ratnam Memorial Fund		( 553 )	( 556 )
Children's Medical Fund		( 253,781 )	( 88,739 )
Inspire Fund		( 30,810 )	( 34,670 )
Madam Ho Yun Wai Fund		504,505	-
		<u>5,538,139</u>	<u>6,183,472</u>
<b>Non-distributable reserve:</b>			
Fair value reserve	10	307,604	1,646,386
		<u>5,845,743</u>	<u>7,829,858</u>

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



# SINGAPORE CHILDREN'S SOCIETY

( Registered under the Societies Act, Chapter 311 )

## Statement of Changes in Funds for the year ended 31 December 2013

		← (Unrestricted)		(Restricted)	→		
	\$	\$	\$	\$	\$	\$	
	Accumulated Fund	Professor S.S. Ratnam Memorial Fund	Children's Medical Fund	Inspire Fund	Madam Ho Yun Wai Fund	Fair Value Reserve	Total
Balance as at 1 January 2012	32,611,347	247,382	20,801,383	72,610	-	( 586,680 )	53,146,042
Total comprehensive income/(loss) for the year	6,307,437	( 556 )	( 88,739 )	( 34,670 )	-	1,646,386	7,829,858
Balance as at 31 December 2012 and 1 January 2013	38,918,784	246,826	20,712,644	37,940	-	1,059,706	60,975,900
Total comprehensive income/(loss) for the year	5,318,778	( 553 )	( 253,781 )	( 30,810 )	504,505	307,604	5,845,743
Balance as at 31 December 2013	44,237,562	246,273	20,458,863	7,130	504,505	1,367,310	66,821,643

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

# SINGAPORE CHILDREN'S SOCIETY

( Registered under the Societies Act, Chapter 311 )

## Statement of Cash Flows for the year ended 31 December 2013

	<u>Notes</u>	<u>2013</u>	<u>2012</u>
		\$	\$
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Surplus of income over expenditure		5,538,139	6,183,472
Adjustments for:			
Amortisation of fair value reserve	10	-	100,062
Depreciation on property, plant and equipment	3	157,797	161,365
Loss on disposal of property, plant and equipment		5,079	8,306
Amortisation of premium/ (discount)	5	1,452	( 100,062 )
Gain on disposal of investments		( 80,373 )	-
Dividend income		( 405,438 )	( 351,819 )
Interest income		( 474,080 )	( 481,135 )
		( <u>795,563</u> )	( <u>663,283</u> )
Operating surplus before working capital changes		4,742,576	5,520,189
Increase in receivables		( 15,779 )	( 91,229 )
Decrease/(increase) in inventories		5,596	( 2,327 )
Increase/(decrease) in payables		160,412	( 73,320 )
Changes in working capital		( <u>150,229</u> )	( <u>166,876</u> )
Net cash from operating activities		4,892,805	5,353,313
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Dividends received		406,988	356,312
Interest received		549,587	526,662
Proceeds from disposal of property, plant and equipment		-	150
Proceeds from redemption of held-to-maturity financial assets		6,319,875	28,000,000
Proceeds from disposal of available-for-sale financial assets		500,000	-
Purchase of available-for-sale financial assets		( 2,195,254 )	( 3,149,487 )
Purchase of property, plant and equipment	3	( 343,807 )	( 83,709 )
Purchase of held-to-maturity financial assets		-	( 5,497,636 )
Net cash from investing activities		( <u>5,237,389</u> )	( <u>20,152,292</u> )
Net increase in cash and cash equivalents		10,130,194	25,505,605
Cash and cash equivalents at beginning of the year		( <u>42,274,407</u> )	( <u>16,768,802</u> )
Cash and cash equivalents at end of the year	18	( <u>52,404,601</u> )	( <u>42,274,407</u> )

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

# SINGAPORE CHILDREN'S SOCIETY

( Registered under the Societies Act, Chapter 311 )

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## NOTES TO THE FINANCIAL STATEMENTS - 31 December 2013

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

### 1. GENERAL

Singapore Children's Society (the "Society") is registered in the Republic of Singapore and its registered office is located at 298 Tiong Bahru Road, #09-05 Central Plaza, Singapore 168730.

The principal activities of the Society are those of promoting the welfare of children in Singapore, as well as assisting and co-operating with the general public and all government, voluntary, religious and philanthropic bodies concerned with the welfare of children.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of Preparation

The Society presents its financial statements in Singapore dollars, which is also its functional currency.

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

During the financial year, the Society adopted all the applicable new/revised FRSs which are effective on or before 1 January 2013.

The adoption of these new/revised FRSs did not have any material effect on the Society's financial statements and did not result in substantial changes to the Society's accounting policies.

#### (b) Significant Accounting Estimates and Judgments

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

##### *Depreciation of Property, Plant and Equipment*

The costs of property, plant and equipment are depreciated on a straight line basis over their estimated useful lives. Management's estimates of the useful lives of these property, plant and equipment are disclosed in note 2(d). Changes in the expected usage and technological developments could impact the economic useful lives and the residual values of these assets. Therefore, future depreciation charges could be revised. The carrying amount of property, plant and equipment and the depreciation charge for the year are disclosed in note 3 to the financial statements.

#### (c) FRS and INT FRS not yet effective

The Society has not applied any new FRS or INT FRS (Interpretations of Financial Reporting Standards) that has been issued as at the balance sheet date but is not yet effective.

# SINGAPORE CHILDREN'S SOCIETY

( Registered under the Societies Act, Chapter 311 )

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (d) Property, Plant and Equipment

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

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

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

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

Renovations	3 years
Office equipment, furniture and fittings	3 to 5 years
Motor vehicles	5 years

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

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

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

### (e) Financial Assets

#### (A) Classification and Measurement

The Society classifies its investments in funds, shares and debt securities in the following categories: held-to-maturity financial assets and available-for-sale financial assets. The classification depends on the purpose for which the investments are acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

##### (i) Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Society has the positive intention and ability to hold to maturity. They are presented as non-current assets, except for those maturing within 12 months after the balance sheet date which are presented as current assets.

Held-to-maturity financial assets are recognised initially at fair value plus transaction costs, and subsequently carried at amortised cost using the effective interest method.

# SINGAPORE CHILDREN'S SOCIETY

( Registered under the Societies Act, Chapter 311 )

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (e) Financial Assets (continued)

#### (A) Classification and Measurement (continued)

##### (ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose the investment within 12 months from the balance sheet date.

Available-for-sale financial assets are recognised initially at fair value plus transaction costs, and subsequently carried at fair value. Unrealised gains and losses arising from changes in fair value of these financial assets are recognised directly in other comprehensive income and accumulated in a separate component of funds and reserves as fair value reserve.

When available-for-sale financial assets are sold or impaired, the cumulative fair value adjustments in the fair value reserve is reclassified from funds and reserves to profit or loss.

#### (B) Recognition and Derecognition

Financial assets are recognised on the balance sheet when the Society becomes a contractual party to the contractual provisions of the financial instrument. Purchases and sales of investments are recognised on trade-date, that is, the date on which the Society 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 Society has transferred substantially all risks and rewards of ownership.

#### (C) Determination of Fair Value

The fair values of quoted financial assets are based on bid price as at balance sheet date.

#### (D) Impairment of Financial Assets

The Society assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

##### (i) Impairment of held-to-maturity financial assets

If there is objective evidence that an impairment loss on held-to-maturity financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognised in profit or loss.

# SINGAPORE CHILDREN'S SOCIETY

(Registered under the Societies Act, Chapter 311)

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (e) Financial Assets (continued)

#### (D) Impairment of Financial Assets (continued)

##### (i) Impairment of held-to-maturity financial assets (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

##### (ii) Impairment of available-for-sale financial assets

A significant or prolonged decline in the fair value of an available-for-sale equity investment is considered in determining whether the investment is impaired. If any such evidence exists, the cumulative loss that was previously recognised in other comprehensive income is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised as an expense. The impairment losses recognised as an expense on equity securities are not reversed through profit or loss.

### (f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula and comprises all cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

### (g) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. Receivables with a short duration are not discounted.

When there is objective evidence that the Society will not be able to collect all amounts due according to the original terms of the receivables, an impairment loss is recognised. The amount of the impairment loss is measured as the difference between the carrying value of the receivable and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of the receivable is reduced directly or through the use of an allowance account. The amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss shall be reversed either directly or by adjusting an allowance account. The amount of the reversal shall be recognised in profit or loss.

# SINGAPORE CHILDREN'S SOCIETY

( Registered under the Societies Act, Chapter 311 )

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## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (h) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand and cash at bank, including fixed deposits that are readily convertible into known amount of cash, which are subject to insignificant risks of changes in value. Cash equivalents are stated at amounts at which they are convertible into cash.

### (i) Funds

General unrestricted funds are available for use at the discretion of the Executive Committee for the furtherance of the Society's objectives.

Restricted funds are those donated for a particular cause, the use of which is restricted to that cause.

### (j) Grants

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

These grants are recognised as income to match the related expenditure.

#### (i) Grants related to assets

Grants which are designated for property, plant and equipment purchases are taken to deferred income in the period of receipt. The deferred income is recognised as income over the useful life of the property, plant and equipment by crediting to profit or loss an amount so as to match the related depreciation expense.

#### (ii) Grants related to income

Grants that compensate the Society for expenses incurred are recognised as income in profit or loss on a systematic basis in the same period in which the expenses are incurred.

### (k) Financial Liabilities

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

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

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

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

# SINGAPORE CHILDREN'S SOCIETY

( Registered under the Societies Act, Chapter 311 )

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## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (l) Revenue Recognition

#### (i) Donation and Fund Raising Income

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

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

#### (ii) Interest Income

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

#### (iii) Dividend Income

Dividend income is recognised in profit or loss when the shareholder's right to receive payment is established.

### (m) Employee Benefits

#### (i) Defined Contribution Plans

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

#### (ii) Short-term Compensated Absences

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

### (n) Impairment of Non-Financial Assets

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

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



# SINGAPORE CHILDREN'S SOCIETY

( Registered under the Societies Act, Chapter 311 )

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Provisions

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

(p) Operating Leases

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

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

## 3. PROPERTY, PLANT AND EQUIPMENT

	<u>Renovations</u>	<u>Office equipment, furniture and fittings</u>	<u>Motor vehicles</u>	<u>Total</u>
	\$	\$	\$	\$
<b><u>Cost</u></b>				
At 1 January 2012	1,135,823	1,413,877	90,000	2,639,700
Additions	4,950	78,759	-	83,709
Disposals	-	( 77,298 )	-	( 77,298 )
At 31 December 2012 and 1 January 2013	1,140,773	1,415,338	90,000	2,646,111
Additions	30,398	313,409	-	343,807
Disposals	( 83,759 )	( 103,340 )	-	( 187,099 )
At 31 December 2013	<u>1,087,412</u>	<u>1,625,407</u>	<u>90,000</u>	<u>2,802,819</u>
<b><u>Accumulated depreciation</u></b>				
At 1 January 2012	1,130,529	1,143,929	63,751	2,338,209
Charge for the year	5,749	145,117	10,499	161,365
Disposals	-	( 68,842 )	-	( 68,842 )
At 31 December 2012 and 1 January 2013	1,136,278	1,220,204	74,250	2,430,732
Charge for the year	6,804	140,493	10,500	157,797
Disposals	( 83,759 )	( 98,261 )	-	( 182,020 )
At 31 December 2013	<u>1,059,323</u>	<u>1,262,436</u>	<u>84,750</u>	<u>2,406,509</u>
<b><u>Carrying amount</u></b>				
At 31 December 2013	<u>28,089</u>	<u>362,971</u>	<u>5,250</u>	<u>396,310</u>
At 31 December 2012	<u>4,495</u>	<u>195,134</u>	<u>15,750</u>	<u>215,379</u>

# SINGAPORE CHILDREN'S SOCIETY

( Registered under the Societies Act, Chapter 311 )

## 4. INVESTMENTS IN AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>2013</u>	<u>2012</u>
	\$	\$
Balance as at 1 January	9,261,974	4,566,163
Reclassified from held-to-maturity financial assets (note 5)	3,273,018	-
Additions	2,195,254	3,149,487
Disposal	( 500,022 )	-
Fair value adjustment	<u>307,604</u>	<u>1,546,324</u>
Balance as at 31 December	<u>14,537,828</u>	<u>9,261,974</u>

## 5. INVESTMENTS IN HELD-TO-MATURITY FINANCIAL ASSETS

	<u>2013</u>	<u>2012</u>
	\$	\$
Balance as at 1 January	9,513,950	31,916,252
Additions	-	5,497,636
Amortisation of (premium)/discount	( 1,452 )	100,062
Redemption		
- before maturity	( 6,239,480 )	-
- upon maturity	-	( 28,000,000 )
* Reclassified to available-for-sale financial assets (note 4)	<u>( 3,273,018 )</u>	<u>-</u>
Balance as at 31 December	<u>-</u>	<u>9,513,950</u>

\* On 30 June 2013, the Society reclassified its investments in held-to-maturity (HTM) financial assets, measured at amortised cost of \$3,273,018, to available-for-sale financial assets, measured at fair value of \$3,565,533. The reclassification was required under FRS 39 "Financial Instruments: Recognition and Measurement", following the disposal of more than an insignificant amount of HTM investments before their maturity dates.

The maturity periods of HTM financial assets are as follows:

	<u>2013</u>	<u>2012</u>
	\$	\$
Current		
- Within 1 year	-	-
Non-current		
- After 1 year but not later than 5 years	-	3,247,310
- After 5 years	-	6,266,640
	<u>-</u>	<u>9,513,950</u>
	<u>-</u>	<u>9,513,950</u>

# SINGAPORE CHILDREN'S SOCIETY

( Registered under the Societies Act, Chapter 311 )

## 5. INVESTMENTS IN HELD-TO-MATURITY FINANCIAL ASSETS (continued)

Held-to-maturity financial assets are analysed as follows:

	<u>2013</u>	<u>2012</u>
	\$	\$
(a) Subordinated Tier 2 Notes	-	5,000,000
(b) Straight Bonds	-	3,525,820
(c) Convertible Bond	-	988,130
	<u>-</u>	<u>9,513,950</u>
Fair value of held-to-maturity financial assets at the balance sheet date	<u>-</u>	<u>9,690,070</u>

- (a) The Subordinated tier 2 notes, issued by United Overseas Bank Limited, bear interest at a fixed rate of 3.15% per annum and mature on 11 July 2022. These were prematurely redeemed in 2013.
- (b) Straight bonds investments represent seven Singapore corporate fixed rate notes bearing fixed interest at rates ranging from 3.3% to 4.3% per annum and maturing on 15 December 2014, 18 February 2015, 16 December 2015, 9 November 2016, 26 January 2017, 31 August 2020 and 21 February 2022 respectively. The straight bond maturing on 21 February 2022 was prematurely redeemed during 2013. Consequently, all the six remaining straight bonds were reclassified to available-for-sale financial assets on 30 June 2013.
- (c) The Convertible bond issued by Capitaland Limited, with a nominal value of \$1,000,000 and fixed interest rate of 2.875% per annum, matures on 3 September 2016. This bond was prematurely redeemed during 2013.

## 6. INVENTORIES

Inventories comprise merchandise held for sale at future fund-raising events, carried at lower of cost and net realisable value.

## 7. RECEIVABLES

	<u>2013</u>	<u>2012</u>
	\$	\$
Accounts receivables	34,698	1,367
Deposits	147,947	138,868
Prepayments	92,995	185,128
Interest receivable	89,273	164,780
Other receivables	137,652	88,009
Grants/subsidies receivables	68,036	53,727
	<u>570,601</u>	<u>631,879</u>

# SINGAPORE CHILDREN'S SOCIETY

( Registered under the Societies Act, Chapter 311 )

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## 8. FIXED DEPOSITS WITH FINANCIAL INSTITUTIONS

The fixed deposits earn interest at rates ranging from 0.1% to 1.1% (2012: 0.13% to 1.20%) per annum. Interest rates reprice at intervals of one week to twelve months (2012: one week to twelve months).

## 9. RESTRICTED AND UNRESTRICTED FUNDS

As at the balance sheet date, the Society has the following funds:

(i) Unrestricted funds

Accumulated fund

This is a distributable fund intended for general use of the Society.

(ii) Restricted funds

(a) Professor S.S. Ratnam Memorial Fund

This is a distributable fund in support of education.

(b) Children's Medical Fund (CMF)

This is a distributable fund used for providing subsidies for treatment and rehabilitative care of chronic illnesses for children.

(c) Inspire Fund

This is a distributable fund in support of school-going children from low income households by enabling them to participate in the INFOCOM sector through personal computer ownership.

(d) Madam Ho Yun Wai Fund

This fund is a donation in perpetuity received in 2013 amounting to \$500,000. Interest earned from the fund in the first year will be used to cover the cost of re-publication of the bilingual "Super Challenge To Your IQ" book into an e-book. Interest earned in subsequent years will be used to defray the operating costs of the Society's character development projects.

# SINGAPORE CHILDREN'S SOCIETY

( Registered under the Societies Act, Chapter 311 )

## 10. FAIR VALUE RESERVE

The fair value reserve is a non-distributable reserve that comprises the cumulative net changes in fair value of available-for-sale financial assets. Net gain/(loss) recognised directly in the fair value reserve are analysed as follows:

	<u>2013</u>	<u>2012</u>
	\$	\$
Balance as at 1 January	1,059,706	( 586,680 )
Amortisation of fair value reserve on reclassified financial assets	-	100,062
Change in fair value of available-for-sale financial assets	307,604	1,546,324
Net fair value gain on financial assets	307,604	1,646,386
Balance as at 31 December	1,367,310	1,059,706

## 11. PROVISION FOR RESTORATION COSTS

The provision for restoration costs relates to estimated cost of dismantling, removing and restoring the related premises at the expiration of the lease periods. The estimation was based on quotation received from an external party.

## 12. PAYABLES

	<u>2013</u>	<u>2012</u>
	\$	\$
Accruals for operating expenses	587,448	588,164
Accruals for employees' unconsumed leave	156,452	126,108
Other payables	204,144	6,696
Income received in advance	36,361	103,025
	984,405	823,993

## 13. DONATIONS AND FUND RAISING INCOME

	<u>2013</u>	<u>2012</u>
	\$	\$
Outright donations and direct appeals	7,556,277	10,135,545
Income from fund raising events	6,119,417	2,406,327
Donation-in-kind	44,872	102,484
	13,720,566	12,644,356

Included in income from fund raising events for 2013 was gross donation income relating to a TV Charity Show amounting to \$5,242,740. The related expenses incurred for the event was \$1,421,047. The net sum raised will be used to fund the normal operations of the Society.

# SINGAPORE CHILDREN'S SOCIETY

( Registered under the Societies Act, Chapter 311 )

## 13. DONATIONS AND FUND RAISING INCOME (continued)

Total gross donations (including donations received during fund raising events) received which qualified for tax deduction amounted to \$10,888,292 (2012: \$9,611,592).

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

## 14. OTHER INCOME

	<u>2013</u>	<u>2012</u>
	\$	\$
Interest income - arising from:		
- Accumulated Fund	333,614	297,778
- Professor S.S.Ratnam Memorial Fund	1,956	1,234
- Children's Medical Fund	134,005	182,123
- Madam Ho Yun Wai Fund	4,505	-
	474,080	481,135
Dividend income	405,438	351,819
Gain on disposal of investments	80,373	-
Special employment credit	13,998	9,388
Amortisation of discount	1,350	100,062
Others	160,446	123,023
	1,135,685	1,065,427

## 15. FUND RAISING EXPENSES

	<u>2013</u>	<u>2012</u>
	\$	\$
Direct costs incurred for:		
- Direct appeals	653,813	679,081
- Fund raising events	1,605,855	467,644
	2,259,668	1,146,725
Fund raising department expenses	949,846	763,911
	3,209,514	1,910,636

# SINGAPORE CHILDREN'S SOCIETY

( Registered under the Societies Act, Chapter 311 )

## 16. TOTAL EXPENDITURE

Included in total expenditure are the following items:

	<u>2013</u>	<u>2012</u>
	\$	\$
Amortisation of fair value reserve on reclassified financial assets	-	100,062
Amortisation of premium	2,802	-
Audit fees	29,750	26,000
Depreciation on property, plant and equipment	157,797	161,365
Operating lease expenses	507,522	495,804
Loss on disposal of property, plant and equipment	5,079	8,306
* Employee benefits expense	7,019,444	5,920,129

\* Contributions to Central Provident Fund included in employee benefits expense amounted to \$845,651 (2012: \$709,219).

## 17. TAXATION

As a registered Charity under the Charities Act, Cap. 37, the Society is exempt from income tax under Section 13(1)(zm) of the Income Tax Act, Chapter 134.

## 18. CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the statement of cash flows comprise the following amounts as shown in the balance sheet:

	<u>2013</u>	<u>2012</u>
	\$	\$
Cash and bank balances	7,385,620	5,872,229
Fixed deposits with financial institutions (note 8)	<u>45,018,981</u>	<u>36,402,178</u>
	<u>52,404,601</u>	<u>42,274,407</u>

# SINGAPORE CHILDREN'S SOCIETY

( Registered under the Societies Act, Chapter 311 )

## 19. OPERATING LEASE COMMITMENTS

The Society leases office and operating premises from non-related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

As at the balance sheet date, the Society has commitments for future minimum lease payments under non-cancellable operating leases as follows:

	<u>2013</u>	<u>2012</u>
	\$	\$
Operating lease payments due		
- Within 1 year	537,445	391,707
- After 1 year but not later than 5 years	<u>1,006,215</u>	<u>263,451</u>
	<u>1,543,660</u>	<u>655,158</u>

The above operating lease commitments are based on known rental rates as at the date of this report and do not include any revision in rates which may be determined by the lessor.

## 20. RELATED PARTIES

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

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

The Society has in place a conflict of interests policy in its code of conduct. All members of the Executive Committee and senior management are required to declare their interests yearly.

### ***Key management personnel compensation***

	<u>2013</u>	<u>2012</u>
Short-term employee benefits	\$ <u>1,347,427</u>	\$ <u>1,250,712</u>
* Number of key management personnel	<u>12</u>	<u>12</u>

\* These key management personnel represent the senior management of the Society.



# SINGAPORE CHILDREN'S SOCIETY

( Registered under the Societies Act, Chapter 311 )

## 20. RELATED PARTIES (continued)

The annual remuneration (comprising basic salary, bonuses, allowances, and employer's contributions to Central Provident Fund) of the three highest paid staff classified by remuneration bands are as follows:-

	<u>No. of staff</u>	
	<u>2013</u>	<u>2012</u>
Annual remuneration		
- \$100,001 to \$150,000	1	2
- \$150,001 to \$200,000	1	1
- \$200,001 to \$250,000	1	-

## 21. FINANCIAL RISK MANAGEMENT

Risk management is integral to the whole business of the Society. The Society has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risk. Management continually monitors the Society's risk management process to ensure that an appropriate balance between risk and control is achieved.

### (i) Credit Risk

Credit risk is the potential risk of financial loss resulting from the failure of customers or other counterparties to settle their financial and contractual obligations to the Society as and when they fall due. Cash and fixed deposits are placed with financial institutions which are regulated in Singapore. The Society limits its credit risk exposure in respect of investment by only investing with counterparties that have a sound credit rating. Management does not expect any counterparties to fail to meet its obligations.

At the balance sheet date, Management believes that there is no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

There are no financial assets which are past due or impaired as at the balance sheet date.

### (ii) Liquidity Risk

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

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

All financial liabilities at the balance sheet date mature within one year.

# SINGAPORE CHILDREN'S SOCIETY

( Registered under the Societies Act, Chapter 311 )

## 21. FINANCIAL RISK MANAGEMENT (continued)

### (iii) Market Risk

The Society is exposed to market risk and the risk of impairment in the value of investments held. The Society manages the risk of impairment by evaluation of investment opportunities, continuously monitoring the performance of investments held and assessing market risks relevant to the industries in which the investments operate.

The Investment Committee meets regularly to assess and review the risks as well as performance of the investments.

At the balance sheet date, the Society held quoted securities as available-for-sale financial assets.

#### *Sensitivity analysis for securities price risk*

A 10% increase/(decrease) in the underlying securities prices at the reporting date would increase/(decrease) the fair value reserve and surplus by the following amount:

	<u>10% increase</u>		<u>10% decrease</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	\$	\$	\$	\$
Fair value reserve	1,453,783	926,197	( 1,453,783 )	( 926,197 )
Surplus	-	-	-	-

This analysis assumes that all other variables remain constant.

### (iv) Investment Risk

Exposure to investment risk relates primarily to the Society's investment portfolio comprising equity securities, debt securities and funds placed with fund managers. All investments are approved by the Society's Investment Committee which is tasked with the responsibility to review the investment operations of the Society and to make appropriate investment decisions. The Investment Committee works within the guidelines of the Society's Investment Policy.

### (v) Interest Rate Risk

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

The Society's exposure to changes in interest rates relates primarily to interest-earning cash and cash equivalents and investments in debt securities which are exposed to a risk of change in their fair value due to changes in interest rates.

Information relating to the Society's interest rate exposures is disclosed in the notes to the financial statements. The Society does not enter into derivatives to hedge its interest rate risk.

# SINGAPORE CHILDREN'S SOCIETY

( Registered under the Societies Act, Chapter 311 )

## 21. FINANCIAL RISK MANAGEMENT (continued)

### (v) Interest Rate Risk (continued)

The following table presents the carrying amounts of the Society's financial instruments that are exposed to interest rate risk:

	Non-interest bearing	<u>Floating rates</u>	<u>Fixed rates</u>	<u>Total</u>
	\$	\$	\$	\$
<u>At 31 December 2013</u>				
<u>Financial Assets</u>				
Cash and bank balances	3,795,326	3,590,294	-	7,385,620
Fixed deposits	-	-	45,018,981	45,018,981
Receivables	477,606	-	-	477,606
Investments in available- for-sale financial assets	<u>14,537,828</u>	<u>-</u>	<u>-</u>	<u>14,537,828</u>
	<u>18,810,760</u>	<u>3,590,294</u>	<u>45,018,981</u>	<u>67,420,035</u>
<u>At 31 December 2012</u>				
<u>Financial Assets</u>				
Cash and bank balances	1,959,305	3,912,924	-	5,872,229
Fixed deposits	-	-	36,402,178	36,402,178
Receivables	446,751	-	-	446,751
Investments in available- for-sale financial assets	9,261,974	-	-	9,261,974
Investments in held-to- maturity financial assets	<u>-</u>	<u>-</u>	<u>9,513,950</u>	<u>9,513,950</u>
	<u>11,668,030</u>	<u>3,912,924</u>	<u>45,916,128</u>	<u>61,497,082</u>

Interest on financial instruments classified under floating rates is repriced at intervals of less than one year. Interest on financial instruments classified under fixed rates is fixed until the maturity of the instruments. The other financial instruments of the Society that are included in the above tables are non-interest bearing and are therefore not subject to interest rate risk.

All of the Society's financial liabilities are non-interest bearing and are therefore not subject to interest rate risk.

#### *Sensitivity analysis for interest rate risk*

Assuming the variable interest rate financial assets at the balance sheet date were held for the whole year and that all other variables remain constant, a change of 100 basis points (bp) in interest rate at the balance sheet date would increase / (decrease) surplus and reserves by the amounts shown below.

#### *Sensitivity analysis for interest rate risk*

	<u>Increase / (decrease) in surplus and reserves</u>	
	Interest rate increase <u>100 bp</u>	Interest rate decrease <u>100 bp</u>
	\$	\$
31 December 2013	35,903	( 35,903 )
31 December 2012	39,129	( 39,129 )

# SINGAPORE CHILDREN'S SOCIETY

( Registered under the Societies Act, Chapter 311 )

## 21. FINANCIAL RISK MANAGEMENT (continued)

### (vi) Fair Value Measurement

The table below analyses the three-level fair value measurement hierarchy of the Society's financial instruments which are carried at fair value. The different levels have been defined as follows:

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	\$	\$	\$	\$
<u>At 31 December 2013</u>				
<u>Available-for-sale financial assets</u>				
- Quoted investments	14,537,828	-	-	14,537,828
<u>At 31 December 2012</u>				
<u>Available-for-sale financial assets</u>				
- Quoted investments	9,261,974	-	-	9,261,974

The fair value of available-for-sale financial instruments traded in active markets is based on quoted market prices at the balance sheet date. These instruments are included in Level 1.

During the year, there were no transfers between instruments in Level 1, Level 2 and Level 3.

- Investment in Equity

The fair values of these available-for-sale financial assets are determined by reference to their quoted bid prices at the balance sheet date.

- Investment in Debt Securities and Other Funds

The fair value of these held-to-maturity financial assets are determined by reference to market valuation reports provided by the fund managers and the banks at the balance sheet date.

- Other Financial Assets and Liabilities

The notional amounts of financial assets and liabilities with maturity of less than one year (including receivables, cash and cash equivalents, and payables) are assumed to approximate their fair values due to their short term nature.

# SINGAPORE CHILDREN'S SOCIETY

( Registered under the Societies Act, Chapter 311 )

## 21. FINANCIAL RISK MANAGEMENT (continued)

### (vi) Fair Value Measurement (continued)

#### *Financial Instruments By Category*

The aggregate carrying amounts of financial instruments classified as loans and receivables and financial liabilities at amortised cost are as follows:

	<u>2013</u>	<u>2012</u>
	\$	\$
Loans and receivables	52,882,207	42,721,158
Financial liabilities at amortised cost	948,044	720,968

## 22. RESERVE MANAGEMENT

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

The Society targets to maintain an optimum level of accumulated fund which is equivalent to five years of its budgeted operating expenditure. This excludes restricted funds. The Society regularly reviews and manages its reserves to ensure optimal capital structure, taking into consideration the future capital requirements of the Society and capital efficiency, projected income and operating cash flows.

The Management and Investment Committee closely monitor the investment of surplus funds and reserves on a periodic basis. The Investment Committee provides strategic direction on the long term financial and assets development of the Society.

The Society is not subject to externally imposed capital requirements.

There were no changes to the Society's approach to reserve management during the year.

# SINGAPORE CHILDREN'S SOCIETY

( Registered under the Societies Act, Chapter 311 )

## 23. COMPARATIVE FIGURES

The Society has reclassified the following items in the Statement of Comprehensive Income to conform with the current year's presentation, which more meaningfully reflects the nature of the respective income and expenses:

	<u>2012</u>		<u>2012</u>
	<u>Previously reported</u>	<u>Reclassifications</u>	<u>Restated</u>
	\$	\$	\$
<u>Statement of Comprehensive Income</u>			
<u>Income</u>			
Donations and fund raising income	12,571,693	72,663	12,644,356
Grants	2,447,398	56	2,447,454
Other income	<u>1,138,146</u>	<u>( 72,719 )</u>	<u>1,065,427</u>
	<u>16,157,237</u>	<u>-</u>	<u>16,157,237</u>
<u>Expenditure</u>			
Administrative expenses	1,333,894	( 105,940 )	1,227,954
Children's home expenses	1,270,989	6,693	1,277,682
Information and corporate communications expenses	211,701	97,634	309,335
Social work service expenses	<u>4,042,876</u>	<u>1,613</u>	<u>4,044,489</u>
	<u>6,859,460</u>	<u>-</u>	<u>6,859,460</u>

## 24. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements of the Society for the year ended 31 December 2013 were authorised for issue in accordance with a resolution of the Executive Committee dated 28 March 2014.