

THE ASSOCIATION OF EVANGELICAL FREE CHURCHES OF HONG KONG
EVANGELICAL FREE CHURCH OF CHINA
EVANGEL CHILDREN'S HOME
ANNUAL FINANCIAL REPORT
FOR THE PERIOD FROM 1 APRIL 2022 TO 31 MARCH 2023

POON SUK CHING

CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITOR'S ASSURANCE REPORT TO THE MANAGEMENT COMMITTEE MEMBERS OF THE ASSOCIATION OF EVANGELICAL FREE CHURCHES OF HONG KONG EVANGELICAL FREE CHURCH OF CHINA EVANGEL CHILDREN'S HOME ("ECH")

I have audited the financial statements of ECH for the year ended 31 March 2023 in accordance with the Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and have issued an unmodified auditors' report thereon dated 26 October 2023.

Pursuant to the Lump Sum Grant ("LSG") Manual issued by the Social Welfare Department of the Government of the Hong Kong Special Administrative Region ("SWD"), I have been requested to issue this assurance report in connection with the Annual Financial Report ("AFR") of ECH for the year ended 31 March 2023.

RESPONSIBILITIES OF THE MANAGEMENT COMMITTEE MEMBERS

In relation to this report, the Management Committee Members are responsible for the ensuring the AFR of ECH for the year ended 31 March 2023 is properly prepared in accordance with the relevant accounting and financial reporting requirements set out in LSG Manual and other instructions issued by the SWD; and the use of funds from the LSG by ECH has complied with the purpose as specified in the LSG Manual and other instructions issued by the SWD.

MY INDEPENDENCE AND QUALITY MANAGEMENT

I have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**INDEPENDENT AUDITOR'S ASSURANCE REPORT (Continued)
TO THE MANAGEMENT COMMITTEE MEMBERS OF
THE ASSOCIATION OF EVANGELICAL FREE CHURCHES OF HONG KONG
EVANGELICAL FREE CHURCH OF CHINA
EVANGEL CHILDREN'S HOME ("ECH")**

AUDITOR'S RESPONSIBILITY

My responsibility is to form a conclusion, based on my engagement, and to report my conclusion to you.

I conducted my engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 851 (Revised), Reporting on the Annual Financial Reports of Non-governmental Organisations issued by the HKICPA. I have planned and performed my work to obtain reasonable assurance for giving conclusion 1 and obtain limited assurance for giving conclusion 2 below.

The work undertaken in connection with this engagement is less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Accordingly, I do not express an audit opinion.

In relation to my conclusion 1 below, I have planned and performed such procedures as I considered necessary with reference to the procedures recommended in PN 851 (Revised), to satisfy myself that the AFR has been properly prepared, in all material respects, in accordance with the relevant accounting and financial reporting requirements set out in the LSG Manual and other instructions issued by the SWD.

In relation to my conclusion 2 below, I have obtained an understanding in respect of the purposes of the use of the funds as specified in the LSG Manual and other instructions issued by the SWD and obtaining an understanding of the control procedures. I am not required to perform any procedures to search for instances of the use of funds from the LSG by ECH being non-complied with the specific purposes. My work was limited to reporting non-compliances identified as a result of the procedures performed in relation to conclusion 2 and during the normal course of my work relating to conclusion 1. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

CONCLUSION

In my opinion, the attached Annual Financial Report on pages 1 to 5 of ECH for the year ended 31 March 2023 is properly prepared, in all material respects, in accordance with the relevant accounting and financial reporting requirements set out in the LSG Manual and other instructions issued by the SWD.

**INDEPENDENT AUDITOR'S ASSURANCE REPORT (Continued)
TO THE MANAGEMENT COMMITTEE MEMBERS OF
THE ASSOCIATION OF EVANGELICAL FREE CHURCHES OF HONG KONG
EVANGELICAL FREE CHURCH OF CHINA
EVANGEL CHILDREN'S HOME ("ECH")**

CONCLUSION (Continued)

Based on the procedures performed and evidence obtained, nothing has come to my attention that causes me to believe that the use of funds from the LSG by ECH has not complied, in all material respects, with the purposes as specified in the LSG Manual and other instructions issued by the SWD.

INTENDED USERS AND PURPOSE

This report is intended solely for submission by ECH to the SWD and is not intended to be, and should not be, used for any other purpose. I agree that a copy of this report may be provided to the SWD without further comment from me.


Poon Suk Ching

Certified Public Accountant (Practising)

Hong Kong, 26 October 2023

ANNUAL FINANCIAL REPORT
NGO : 200 EVANGEL CHILDREN'S HOME

1 APRIL 2022 TO 31 MARCH 2023

	Notes	Total 2022-23 \$	Total 2021-22 \$
A. INCOME			
1. Lump Sum Grant			
a. Lump Sum Grant (excluding Provident Fund)	1b	13,748,250.00	13,554,512.00
b. Provident Fund	1c	1,076,491.00	1,037,076.00
2. Fee Income	2	-	-
3. Central Items	3	1,124,417.00	350,901.00
4. Rent and Rates	4	186,878.00	186,878.00
5. Other Income	5	322,291.00	289,832.00
6. Interest Received		2,608.94	55.31
TOTAL INCOME		16,460,935.94	15,419,254.31
B. EXPENDITURE			
1. Personal Emoluments			
a. Salaries		11,024,834.22	10,849,993.79
b. Provident Fund	1c	1,401,581.04	1,213,502.83
c. Allowance		358,298.08	206,320.63
Sub-total	6	12,784,713.34	12,269,817.25
2. Other Charges	7	2,641,920.16	2,521,391.53
3. Central Items	3	1,124,417.00	350,901.00
4. Rent and Rates	4	186,878.00	186,878.00
TOTAL EXPENDITURE		16,737,928.50	15,328,987.78
C. SURPLUS/(DEFICIT) FOR THE YEAR	8	(276,992.56)	90,266.53

The Annual Financial Report from pages 1 to 5 has been prepared in accordance with the requirements as set out in the Lump Sum Grant Manual.

SIGNATURE

CHAIRMAN

DATE : 26 October 2023

SIGNATURE

NGO HEAD/HEAD OF SOCIAL WELFARE SERVICES

DATE : 26 October 2023

NOTES ON THE ANNUAL FINANCIAL REPORT

1. Lump Sum Grant

a. Basis of preparation

The Annual Financial Report (AFR) is prepared in respect of all Funding and Service Agreement (FSA) activities (including support services to FSA activities) funded by the Social Welfare Department under the Lump Sum Grant Subvention System. AFR is prepared **on cash basis**, that is, income is recognised upon receipt of cash and expenditure is recognised when expenses are paid. **Non-cash items** such as depreciation, provisions and accruals **have not been included** in the AFR.

b. Lump Sum Grant (excluding Provident Fund)

This represents Lump Sum Grant (excluding Provident Fund) received for the year.

c. Provident Fund

This is Provident Fund received and contributed during the year.

Snapshot staff are defined as those staff occupying recognised or holding against subvented posts as at 1 April 2000.

6.8% and other posts represent those staff that are employed after 1 April 2000.

Please note that the PF received and contributed for staff under the Central Items have been shown under 3.

(LSG Circular No. 1/2001).

Details are analysed below :

<u>Provident Fund Contribution</u>	<u>Existing Staff</u> \$	<u>6.8% & Other Posts</u> \$	<u>Total</u> \$
Subvention Received	388,182.00	688,309.00	1,076,491.00
Provident Fund Contribution Paid during the year	395,880.00	551,379.06	947,259.06
Surplus/(Deficit) for the year	(7,698.00)	136,929.94	129,231.94
Add : Refund for year 20/21	4,811.00	-	4,811.00
Add : Adjustment for 20/21 (per SWD letter dated 13 Oct 2023)	(7,474.00)	7,474.00	-
Add : Surplus/(Deficit) b/f	(1,179.27)	1,462,780.36	1,461,601.09
Surplus/(Deficit) c/f	(11,540.27)	1,607,184.30	1,595,644.03

2. Fee Income

This represents social welfare fee income received for the year in respect of the fees and charges recognised for the purpose of subvention as set out in the Lump Sum Grant Manual.

NOTES ON THE ANNUAL FINANCIAL REPORT

3. Central Items

These are subsidies allocated to NGOs for specified purposes on a recurrent, time-limited or one-off basis which are not included in LSG and are subject to their own procedures as set out in other SWD's papers and correspondence with the NGOs. Any surplus, which is not allowed to be offset by any deficit of another item, is subject to claw-back by SWD according to the terms and conditions of individual central items. The Provident Fund received and contributed for staff under the Central Items have been separately included as part of the income and expenditure of the relevant items (paragraph 3.14 of LSG Manual). The income and expenditure of each of the Central Items are as follows:

	2022-23 \$	2021-22 \$
a. Income		
Allowances for Specific Services Arising from the Implementation of the Minimum Wage Ordinance (Overnight On-site-on-call Allowance)	347,560.00	350,901.00
Special Grant on Manpower Support for Residential and Home-based Care Service Units in respect of the Severe Respiratory Disease associated with a Novel Infectious Agent	776,857.00	-
Special Allowance for Staff		
Total	1,124,417.00	350,901.00
b. Expenditure		
Allowances for Specific Services Arising from the Implementation of the Minimum Wage Ordinance (Overnight On-site-on-call Allowance)	347,560.00	350,901.00
Special Grant on Manpower Support for Residential and Home-based Care Service Units in respect of the Severe Respiratory Disease associated with a Novel Infectious Agent	-	-
Special Allowance for Staff	776,857.00	-
Total	1,124,417.00	350,901.00

4. Rent and Rates

This represents the amount paid by Social Welfare Department in respect of premises recognised by SWD. Expenditure on rent and rates in respect of premises not recognised by SWD have not been included in AFR.

5. Other Income

This includes programme income and all income other than recognised social welfare fee income received during the year. Non-SWD subventions and donations received have not been included as Other Income in AFR. In this respect, donations have been included if it is used to finance expenditure reflected in the AFR.

The breakdown on Other Income is as follows:

Other Income	2022-23 \$	2021-22 \$
(a) Fees and charges for services incidental to the operation of subvented services		
(b) Subsidy from Central Items (CI) - ASCP/E / ASCP / FWSS		
(c) Others	322,291.00	289,832.00
<u>Less</u> : Utilised allocation under CI - ASCP/E / ASCP / FWSS		
Total	322,291.00	289,832.00

6. Personal Emoluments

Personal Emoluments include salary, provident fund, salary-related allowances. The analysis on number of posts with annual Personal Emoluments over \$700,000 each paid under LSG is appended below:

Analysis of Personal Emoluments

	No of Posts	\$
HK\$700,001 - HK\$800,000 p.a.	1	716,404.00
HK\$800,001 - HK\$900,000 p.a.	1	875,782.50
HK\$900,001 - HK\$1,000,000 p.a.	N/A	
HK\$1,000,000 - HK\$1,100,000 p.a.	N/A	
HK\$1,100,000 - HK\$1,200,000 p.a.	1	1,113,131.00
>HK\$1,200,000 p.a.	N/A	

7. Other Charges

The breakdown on Other Charges is as follows:

Other Charges	2022-23 \$	2021-22 \$
a. Utilities	415,898.05	390,946.10
b. Food	1,181,862.40	1,112,121.65
c. Administrative Expenses	255,892.47	308,540.21
d. Stores and Equipment *	67,694.59	104,163.00
e. Repair and Maintenance	331,823.00	322,651.20
f. Special Allowances	56,388.04	-
g. Programme Expenses	195,439.10	133,151.40
h. Transportation and Travelling	13,036.90	6,058.90
i. Insurance	107,235.61	119,752.96
j. Miscellaneous	16,650.00	24,006.11
Sub-Total	2,641,920.16	2,521,391.53
Less : Utilised allocation under CI - ASCP/E / ASCP / FWSS	-	-
Total	2,641,920.16	2,521,391.53

* Furniture & Equipment included

8. Analysis of Lump Sum Grant Reserve and balances of other SWD Subventions

	Analysis of Reserve Fund					
	Lump Sum Grant & (LSG)	Holding Account (HA)	Adjustment for Utilised allocation under ASCP / Enhanced ASCP - FWSS One-off Grant (SOG)	Rent and Rates	Central Items (CI)	Total
Income						
Lump Sum Grant	14,824,741.00					14,824,741.00
Fee Income						0.00
Other Income	322,291.00					322,291.00
Interest Received (Note(1))	2,608.94					2,608.94
Rent and Rates				186,878.00		186,878.00
Central Items					1,124,417.00	1,124,417.00
Total Income (a)	15,149,640.94		-	186,878.00	1,124,417.00	16,460,935.94
Expenditure						
Personal emoluments	12,784,713.34		-			12,784,713.34
Other Charges	2,641,920.16					2,641,920.16
Rent and Rates				186,878.00		186,878.00
Central Items					1,124,417.00	1,124,417.00
Total Expenditure (b)	15,426,633.50		-	186,878.00	1,124,417.00	16,737,928.50
Surplus/(Deficit) for the Year (a) - (b)	(276,992.56)		-	-	-	(276,992.56)
Less : Surplus/(Deficit) of Provident Fund	129,231.94		-	-	-	129,231.94
	(406,224.50)		-	-	-	(406,224.50)
Surplus/(Deficit) b/f (Note (2))	2,777,302.15	422,054.66	-	(185,038.00)	-	3,014,318.81
	2,371,077.65	422,054.66	-	(185,038.00)	-	2,608,094.31
Add: Adjustment for 21/22 per SWD letter dated 13 Oct 2023	28,000.00					28,000.00
Less: Special Grant to Step up Preventive Measures against The Spread of Coronavirus Disease 2019 (COVID 19) (COVID-19 support)	(10,000.00)					(10,000.00)
Surplus/(Deficit) c/f (Note (3))	2,389,077.65	422,054.66	-	(185,038.00)	-	2,626,094.31

Notes:

- (1) Interest received on LSG (including HA) and Provident Fund reserves, rent and rates, Central Items are included as one item under LSG; and the item is considered as part of LSG reserve.
- (2) Accumulated balance LSG Surplus b/f from previous years (including all interest received in previous years (see (1) above) and the balance of HA should be separately reported as in the surplus b/f under LSG and HA respectively.
- (3) Amount of LSG Reserve used to cover the salary adjustment for Dementia Supplement and Infirmary Care Supplement, if any, as per Schedule of Central Items.
- (4) For NGOs without HA, separate disclosure of the movement of HA in their respective AFRs is not necessary. The Level of LSG cumulative reserve (i.e. S10) will be capped at 25% of the NGO's operating expenditure (i.e. Total Expenditure (T1) excluding Provident Fund Contribution (K)) for the year. For NGOs with HA, with effect from 2022-23, the calculation of the annual claw-back is as follows:

The level of LSG cumulative reserve (i.e. S1) will be capped at 25% of the NGO's operating expenditure (i.e. Total Expenditure (T1+T2) excluding Provident Fund Contribution (K)) for the year.

(ii) Without SS [i.e. Position of SS as at 1 September being reported on the Agency Staff List submitted by NGO last year (which is regarded as Year 0) was zero]

For the next three years (Year 1 to Year 3), the level of LSG cumulative reserve (i.e. S1) will be capped at 25% of the NGO's operating expenditure (i.e. Total Expenditure (T1) excluding Provident Fund Contribution (K)) for the year.

From the fourth financial year (Year 4) onwards, the level of LSG cumulative reserve and HA reserve will be counted altogether and the combined reserve amount (i.e. S1+S2) will be capped at 25% of the NGO's operating expenditure (i.e. Total Expenditure (T1+T2) excluding Provident Fund Contribution (K)) for the year. In this regard, separate disclosure of the movement of HA in their respective AFRs is not necessary.

For any amount above the cap, SWD would arrange the claw-back (including provisional in the following financial year) accordingly.