

THE FREE METHODIST CHURCH OF HONG KONG
香港循理會

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 31 MARCH, 2017

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范 陳 會 計 師 行
FAN, CHAN & CO.

CERTIFIED PUBLIC ACCOUNTANTS
HONG KONG

REVIEW REPORT ON THE ANNUAL FINANCIAL REPORT

TO THE MANAGEMENT BOARD OF THE FREE METHODIST CHURCH OF HONG KONG
香港循理會

We have audited the financial statements of Social Service Division of The Free Methodist Church of Hong Kong ("the Charity") for the year ended 31 March, 2017 and have issued an unqualified auditors' report thereon dated **29 NOV 2017**.

We conducted our review of the attached Financial Statements on pages 2 to 6 of the Charity for the year ended 31 March, 2017 in accordance with Practice Note 851 "Review of the Annual Financial Reports of Non-governmental Organisations" issued by the Hong Kong Institute of Certified Public Accountants. The review includes considering the procedures and records relevant to the preparation of the Annual Financial Report and performing procedures to satisfy ourselves that the Annual Financial Report has been properly prepared from the books and records of the Charity, on which the above audited financial statements of the Charity are based.

Review conclusions

On the basis of the results of our review and having regard to the audit procedures performed by us in relation to the audit of the financial statements of the Charity for the year ended 31 March, 2017:

- a. in our opinion the Annual Financial Report has been properly prepared from the books and records of the Charity; and
- b. no matters have come to our attention during the course of our review, which cause us to believe that the Charity has not:
 - i. properly accounted for the receipt of Lump Sum Grant, Provident Fund, Tide-over Grant and other social welfare subventions and expenditure in respect of Funding and Services Agreement activities and support services;
 - ii. kept separate Operating Income and Expenditure Account for each subvented service unit as required by the Lump Sum Grant Manual (LSG Manual) published by the Social Welfare Department of the Government of the HKSAR;
 - iii. prepared the Annual Financial Report in accordance with the format and requirements set out in the LSG Manual; and
 - iv. employed the staff quoted in the Tide-over Grant and Provident Fund arrangements during the year ended 31 March, 2017.

This report is intended for filing with the Social Welfare Department of the Government of the HKSAR and should not be used for any other purpose.



Fan, Chan & Co.
Certified Public Accountants
Hong Kong,


29 NOV 2017

ANNUAL FINANCIAL REPORT
THE FREE METHODIST CHURCH OF HONG KONG
 香港循理會

1 APRIL, 2016 TO 31 MARCH, 2017

	Note	Total 2016-2017 HK\$	Total 2015-2016 HK\$
A. INCOME			
1. Lump Sum Grant			
a. Lump Sum Grant (excluding Provident Fund)	1b	13,510,402.00	12,914,334.00
b. Provident Fund	1c	1,152,478.00	1,090,344.00
2. Special One-off Grant		-	-
3. Fee Income	2	43,515.00	43,313.00
4. Central Items	3	144,000.00	159,750.00
5. Rent and Rates	4	311,724.00	253,756.00
6. Other Income	5	1,348,154.60	1,635,205.20
7. Interest Received		21,122.96	19,917.14
TOTAL INCOME		16,531,396.56	16,116,619.34
B. EXPENDITURE			
1. Personal Emoluments			
a. Salaries		12,877,845.03	10,494,224.26
b. Provident Fund	1c	877,166.72	763,062.55
Sub-total	6	13,755,011.75	11,257,286.81
2. Others Charges	7	1,861,194.61	1,852,677.36
3. Central Items	3	213,982.50	207,012.40
4. Rent and Rates	4	354,750.00	314,115.00
5. Special One-off Grant Payments	7a	-	-
TOTAL EXPENDITURE		16,184,938.86	13,631,091.57
C. SURPLUS FOR THE YEAR	8	346,457.70	2,485,527.77

SIGNATURE



 Ms. LEE Yan-yan, Yolanda
 Chairperson of Social Service Committee
 Date: 29 November, 2017



 Mrs. LO Ma Lai-wah
 General Secretary
 Date: 29 November, 2017

NOTES ON THE ANNUAL FINANCIAL REPORT

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1 APRIL, 2016 TO 31 MARCH, 2017

1. Lump Sum Grant

a. Basis of preparation

(i) 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 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** like depreciation, provisions and accruals **have not been included** in the AFR.

b. Lump Sum Grant (excluding Provident Fund)

This represents LSG (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.

The Provident Fund received and contributed for staff under the Central Items should be shown under 3.

Details are analysed below:

	Snapshot Staff HK\$	6.8% and Other Posts HK\$	Total HK\$
<u>Provident Fund Contribution</u>			
Subvention Received	394,064.00	758,414.00	1,152,478.00
Provident Fund Contribution Paid during the year	<u>(360,592.00)</u>	<u>(516,574.72)</u>	<u>(877,166.72)</u>
Surplus for the year	33,472.00	241,839.28	275,311.28
Add: Surplus b/f	34,067.00	1,879,393.03	1,913,460.03
Transfer from PF Reserve for 6.8% and Other Posts to that for Snapshot Staff	9,162.00	(9,162.00)	-
Less: Refund to Government	(9,162.00)	-	(9,162.00)
Less: Refund to Government (surplus 14/15)	(19,501.00)	-	(19,501.00)
Less: Staff Welfare expenses	<u>-</u>	<u>(141,792.41)</u>	<u>(141,792.41)</u>
Surplus c/f	<u>48,038.00</u>	<u>1,970,277.90</u>	<u>2,018,315.90</u>

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 LSG Manual.

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3. Central Items

These are subvented service activities 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. The PF 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 (October 2016)). The income and expenditure of each of the Central Items are as follows:

	2016-2017 HK\$	2015-2016 HK\$
a. Income		
After-School Care Programme	144,000.00	159,750.00
Total	<u>144,000.00</u>	<u>159,750.00</u>
b. Expenditure		
After-School Care Programme	213,982.50	207,012.40
Total	<u>213,982.50</u>	<u>207,012.40</u>

4. Rent and Rates

This represents the amount paid by SWD in respect of premises recognised by SWD. Expenditures 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 (paragraph 2.29 of LSG Manual (October 2016)) is as follows:

	2016-2017 HK\$	2015-2016 HK\$
(a) Fees and charges for services incidental to the operation of subvented services	1,348,054.60	1,635,205.20
(b) Others	-	-
Total	<u>1,348,054.60</u>	<u>1,635,205.20</u>

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6. Personal Emoluments

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

Analysis of Personal Emoluments

	No. of Posts	HK\$
HK\$700,001 - HK\$800,000p.a.	1	748,380.00
HK\$800,001 - HK\$900,000p.a.	1	805,533.75
HK\$900,001 - HK\$1,000,000p.a.	-	-
HK\$1,000,001 - HK\$1,100,000p.a.	-	-
HK\$1,100,001 - HK\$1,200,000p.a.	-	-
>HK\$1,200,000p.a.	1	1,325,841.00

7. Other Charges

The breakdown in Other Charges is as follows:

	2016-2017 HK\$	2015-2016 HK\$
Other Charges		
(a) Utilities	203,116.90	205,165.63
(b) Administrative Expenses	157,391.50	156,982.00
(c) Stores and Equipment	136,788.43	183,447.56
(d) Repair and Maintenance	120,623.50	32,617.30
(e) Programmes Expenses	988,754.42	1,034,259.10
(f) Transportation and Travelling	34,357.60	31,096.50
(g) Insurance	68,283.81	52,331.67
(h) Miscellaneous	151,878.45	156,777.60
Total	<u>1,861,194.61</u>	<u>1,852,677.36</u>

7a. Special One-off Grant Payments

Details of Special One-off Grant Payment are as follows:

	2016-2017 HK\$	2015-2016 HK\$
Special One-off Grant Payments		
(a) Voluntary Retirement Scheme	-	-
(b) Compensation Scheme	-	-
(c) Staff Training and Development	-	-
(d) Other Staff-related Initiatives	-	-
Total	<u>-</u>	<u>-</u>

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

	Analysis of Reserve Fund				
	Lump Sum Grant (LSG)	Special One-off Grant (SOG)	Rent and Rates	Central Items	Total
	\$	\$	\$	\$	\$
Income					
Lump Sum Grant	14,662,880.00				14,662,880.00
Special One-off Grant		-			-
Fee Income	43,515.00				43,515.00
Other Income	1,348,154.60				1,348,154.60
Interest Received (Note (1))	21,122.96				21,122.96
Rent and Rates			311,724.00		311,724.00
Central Items				144,000.00	144,000.00
Total Income (a)	16,075,672.56	-	311,724.00	144,000.00	16,531,396.56
Expenditure					
Personal Emoluments	13,755,011.75				13,755,011.75
Others Charges	1,861,194.61	-			1,861,194.61
Rent and Rates			354,750.00		354,750.00
Central Items				213,982.50	213,982.50
Special One-off Grant Payments		-			-
Total Expenditure (b)	15,616,206.36	-	354,750.00	213,982.50	16,184,938.86
Surplus/(Deficit) for the Year (a)-(b)	459,466.20	-	(43,026.00)	(69,982.50)	346,457.70
Backpayment on Rent and Rates for 2006/2007 to 2013/14					
Less: Surplus/(Deficit) of Provident Fund	275,311.28	-	-	-	275,311.28
	184,154.92	-	(43,026.00)	(69,982.50)	71,146.42
Surplus/(Deficit) b/f (Note (2))	4,073,136.29	-	(158,962.00)	(192,456.58)	3,721,717.71
Adjustment:					
RE:SWD SF/SAS/4-65/24(108)					-
Claw-back of LSG Surplus for 2015-2016	(299,482.67)				(299,482.67)
Backpayment on Rent and Rates for 2006/2007 to 2013/14			138,948.00		138,948.00
Less: Backpayment had not been recorded in AFR			(88,500.00)		(88,500.00)
	3,957,808.54	-	(151,540.00)	(262,439.08)	3,543,829.46
Less: Refund to Government	-	-	-	-	-
Surplus on PA 2014-2015			-	(399.30)	(399.30)
Surplus on Rates 2010-2011			(12,714.00)		(12,714.00)
Transfer from LSG Reserve to cover the salary adjustment for Programme Assistants, care Assistant, Dementia Supplement and Infirmary Care Supplementary (Note 3)	-	-	-	-	-
	-	-	(12,714.00)	(399.30)	(13,113.30)
Surplus/(Deficit) c/f (Note (4))	3,957,808.54	-	(164,254.00)	(262,838.38)	3,530,716.16
	S				

Notes:

- (1) Interest received on LSG and Provident Fund reserves, rent and rates, central items, Special One-off Grant are included as one item under LSG; and the item is considered as part of LSG reserve.
- (2) Accumulated balance of Lump Sum Grant Surplus b/f from previous years (including holding account) and all interest received in previous years should be included in the surplus b/f under LSG.
- (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) The level of LSG cumulative reserves (i.e. S), less LSG Reserve kept in the holding account, will be capped at 25% of the NGO's operating expenditure (excluding Provident Fund expenditure) for the year.