

THE HONG KONG SOCIETY FOR THE AGED

**Annual Financial Report
For the year ended 31 March 2019**

**REVIEW REPORT
TO THE BOARD OF DIRECTORS OF THE HONG KONG SOCIETY FOR THE AGED**

We have audited the financial statements of The Hong Kong Society for the Aged (the "Society") for the year ended 31 March 2019 and have issued an unqualified auditor's report thereon dated 6 November 2019.

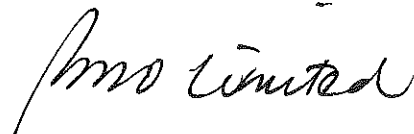
We conducted our review of the attached Annual Financial Report of the Society for the year ended 31 March 2019 in accordance with Practice Note 851 "Review of the Annual Financial Reports of Non-governmental Organisations" issued by the Hong Kong Institute of Certified Public Accountants. The review 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 Society, on which the above audited financial statements of the Society 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 Society for the year ended 31 March 2019:

- (a) in our opinion the Annual Financial Report has been properly prepared from the books and records of the Society; and
- (b) no matters have come to our attention during the course of our review, which cause us to believe that the Society has not:
 - (i) properly accounted for the receipt of Lump Sum Grant, Provident Fund, Special One-off 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 Special One-off Grant and Provident Fund arrangements during the year ended 31 March 2019.

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.



BDO Limited
Certified Public Accountants
Lam Pik Wah
Practising Certificate Number P05325

Hong Kong, 6 November 2019

ANNUAL FINANCIAL REPORT

NGO: The Hong Kong Society for the Aged

(1 April 2018 to 31 March 2019)

	Notes	2018-19 \$	2017-18 \$
A. INCOME			
1. Lump Sum Grant			
a. Lump Sum Grant (excluding Provident Fund)	1b	306,778,266.00	274,949,279.00
b. Provident Fund	1c	22,595,078.00	20,704,581.00
2. Fee Income	2	37,389,471.80	36,391,520.90
3. Central Items	3	22,358,085.00	22,538,750.00
4. Rent and Rates	4	10,020,041.00	11,625,126.00
5. Other Income	5	6,557,730.55	4,034,366.25
6. Interest Received		2,364,350.05	1,119,809.78
TOTAL INCOME		<u>408,063,022.40</u>	<u>371,363,432.93</u>
B. EXPENDITURE			
1. Personal Emoluments			
a. Salaries		271,491,556.95	237,010,670.44
b. Provident Fund	1c	17,452,677.06	16,080,451.81
c. Allowances		0.00	0.00
Sub-total	6	<u>288,944,234.01</u>	<u>253,091,122.25</u>
2. Other Charges	7	73,603,101.00	66,277,878.84
3. Central Items	3	21,818,084.00	24,704,815.00
4. Rent and rates	4	11,315,583.88	11,114,369.68
TOTAL EXPENDITURE		<u>395,681,002.89</u>	<u>355,188,185.77</u>
C. SURPLUS/ (DEFICIT) FOR THE YEAR	8	<u>12,382,019.51</u>	<u>16,175,247.16</u>

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

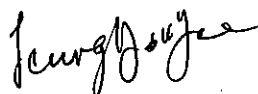
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CHAIRMAN

DATE: - 6 NOV 2019

SIGNATURE



HONORARY TREASURER

DATE: - 6 NOV 2019

NOTES ON THE ANNUAL FINANCIAL REPORT

1. Lump Sum Grant (LSG)

- 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 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 have been shown under **Note 3**. Details are analysed below:

<u>Provident Fund Contribution</u>	Snapshot Staff \$	6.8 % and Other Posts \$	Total \$
Subvention Received	4,180,375.00	18,414,703.00	22,595,078.00
Provident Fund Contribution Paid during the year	(3,765,375.66)	(13,687,301.40)	(17,452,677.06)
Surplus/ (Deficit) for the year	<u>414,999.34</u>	<u>4,727,401.60</u>	<u>5,142,400.94</u>
Add : Surplus/ (Deficit) b/f	1,126,002.62	43,275,625.76	44,401,628.38
Additional subvention received for previous year(s)	0.00	100,049.00	100,049.00
Less : Refund to Government	(552,914.00)	0.00	(552,914.00)
Surplus/ (Deficit) c/f	<u>988,087.96</u>	<u>48,103,076.36</u>	<u>49,091,164.32</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.

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 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 the LSG Manual (October 2016)). The income and expenditure of each of the Central Items are as follows:

	2018-19	2017-18
	\$	\$
a. Income		
Dementia Supplement for Residential Elderly Services	18,015,893.00	17,501,292.00
Infirmity Care Supplement for Residential Elderly Services	2,768,992.00	2,269,620.00
Dementia Supplement for Day Care Centres/units for the Elderly	763,200.00	1,482,838.00
Training Sponsorship Scheme for Master in Occupational Therapy and Physiotherapy programmes	810,000.00	270,000.00
One-off Subsidy for Enhanced Provision of Visiting Medical Officer for Residential Care Homes for the Elderly	0.00	1,015,000.00
Total	<u>22,358,085.00</u>	<u>22,538,750.00</u>
b. Expenditure		
Dementia Supplement for Residential Elderly Services	18,015,893.00	20,357,992.00
Infirmity Care Supplement for Residential Elderly Services	2,768,992.00	2,593,985.00
Dementia Supplement for Day Care Centres/units for the Elderly	763,199.00	1,482,838.00
Training Sponsorship Scheme for Master in Occupational Therapy and Physiotherapy programmes	270,000.00	270,000.00
One-off Subsidy for Enhanced Provision of Visiting Medical Officer for Residential Care Homes for the Elderly	0.00	0.00
Total	<u>21,818,084.00</u>	<u>24,704,815.00</u>

4. Rent and Rates This represents the amount paid by SWD 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:

	2018-19	2017-18
	\$	\$
Other Income		
(a) Fees and charges for services incidental to the operation of subvented services	3,737,781.53	3,996,491.06
(b) Others	<u>2,819,949.02</u>	<u>37,875.19</u>
Total	<u>6,557,730.55</u>	<u>4,034,366.25</u>

6. Personal Emoluments Personal Emoluments include salary, provident fund and 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 paid under LSG	No of Posts	\$
HK\$700,001 - HK\$800,000 p.a.	12	8,845,580.00
HK\$800,001 - HK\$900,000 p.a.	4	3,398,123.00
HK\$900,001 - HK\$1,000,000 p.a.	8	7,483,673.00
HK\$1,000,001 - HK\$1,100,000 p.a.	1	1,078,395.00
HK\$1,100,001 - HK\$1,200,000 p.a.	1	1,186,178.00
>HK\$1,200,000 p.a.	4	6,431,134.00

7. Other Charges

The breakdown on Other Charges is as follows:

Other Charges	2018-19	2017-18
	\$	\$
(a) Utilities	11,021,173.90	11,098,053.80
(b) Food	25,292,242.41	23,716,226.47
(c) Administrative Expenses	6,699,929.81	4,185,026.52
(d) Stores and Equipment	7,460,760.38	5,996,621.67
(e) Repair and Maintenance	5,590,704.40	5,686,439.14
(f) Special Allowances	-	-
(g) Programme Expenses	8,098,714.72	7,504,033.33
(h) Transportation and Travelling	1,748,250.90	1,487,462.40
(i) Insurance	4,656,574.90	4,111,711.65
(j) Miscellaneous	3,034,749.58	2,492,303.86
Total	73,603,101.00	66,277,878.84

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

	Lump Sum Grant (LSG)	Rent and Rates	Central Items	Total
	HK\$	HK\$	HK\$	HK\$
Income				
Lump Sum Grant	329,373,344.00			329,373,344.00
Fee Income	37,389,471.80			37,389,471.80
Other Income	6,557,730.55			6,557,730.55
Interest Received (Note (1))	2,364,350.05			2,364,350.05
Rent and Rates		10,020,041.00		10,020,041.00
Central Items			22,358,085.00	22,358,085.00
Total Income (a)	375,684,896.40	10,020,041.00	22,358,085.00	408,063,022.40
Expenditure				
Personal Emoluments	288,944,234.01			288,944,234.01
Other Charges	73,603,101.00			73,603,101.00
Rent and Rates		11,315,583.88		11,315,583.88
Central Items			21,818,084.00	21,818,084.00
Total Expenditure (b)	362,547,335.01	11,315,583.88	21,818,084.00	395,681,002.89
Surplus/(Deficit) for the Year (a) - (b)	13,137,561.39	(1,295,542.88)	540,001.00	12,382,019.51
Less: Surplus/ (Deficit) of Provident Fund	5,142,400.94			5,142,400.94
	7,995,160.45	(1,295,542.88)	540,001.00	7,239,618.57
Adjustment of Surplus b/f:				
Cumulative deficit balance of the Permanent Care Assistant / Programme Assistant Posts (Unit 6392) as at 30 November 2014 absorbed by LSG	(12,504.61)		12,504.61	0.00
				Note 5
Surplus/ (Deficit) b/f (Note (2))	87,030,583.72	(1,146,983.06)	1,335,178.61	87,218,779.27
	95,013,239.56	(2,442,525.94)	1,887,684.22	94,458,397.84
Add: Refund from Government		1,201,117.00	0.00	1,201,117.00
Less: Refund to Government	0.00	(76,851.20)	(1,062,532.00)	(1,139,383.20)
				Note 6
Transfer from LSG Reserve to cover the salary adjustment for Dementia Supplement and Infirmity Care Supplement (Note (3))	0.00		0.00	0.00
Surplus/ (Deficit) c/f (Note (4))	95,013,239.56	(1,318,260.14)	825,152.22	94,520,131.64

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 LSG 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 Infirmity 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.
- (5) Cumulative deficit balance \$12,504.61 of the permanent Care Assistant Posts as at 30 November 2014 should be absorbed by Lump Sum Grant per SWD letter dated 26 June 2019 (ref. (2) in SWD SF/SAS/4-65/81(364) III) in response to our reply letter dated 26 September 2018 to SWD letter dated 6 September 2018 (ref. (32) in SWD SF/SAS/4-65/81(364)II).
- (6) \$47,532 was refunded in November 2018 per Supplementary Annual Surplus Assessments for 2013-14. \$1,091,851.20 (Rent & Rates \$76,851.20 plus Central Items \$1,015,000) was refunded in January 2019 per Provisional Recovery of Subvention Surpluses of Rent & Rates and/or Central Items for 2017-18 under SWD letter dated 30 November 2018 (ref. (239) in SWD SF/SAS/4-55/1/1)