

**EVANGELICAL LUTHERAN CHURCH
SOCIAL SERVICE - HONG KONG**

**AUDITOR'S REVIEW REPORT ON
ANNUAL FINANCIAL REPORT**

FOR THE YEAR ENDED 31ST MARCH, 2022



W. H. WONG & CO. (CPA)

黃永漢會計師事務所

REVIEW REPORT TO THE BOARD OF COUNCILLORS OF THE EVANGELICAL LUTHERAN CHURCH OF
HONG KONG

RE: ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED 31ST MARCH, 2022 OF EVANGELICAL
LUTHERAN CHURCH SOCIAL SERVICE - HONG KONG

We have audited the financial statements of Evangelical Lutheran Church Social Service – Hong Kong (“ELCSS-HK”) for the year ended 31st March, 2022 and have issued an unqualified auditors' report thereon dated, 24th October, 2022.

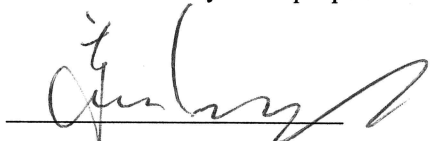
We conducted our review of the attached Annual Financial Report on pages 2 to 8 of ELCSS-HK for the year ended 31st March, 2022 in accordance with Practice Note 851 "Review of the Annual Financial Reports of Non-governmental Organizations" issued by the Hong Kong Institute of Certified Public Accountants. 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 ELCSS-HK, on which the above audited financial statements of ELCSS-HK 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 ELCSS-HK for the year ended 31st March, 2022:

- a. in our opinion the Annual Financial Report has been properly prepared from the books and records of ELCSS-HK; and
- b. no matters have come to our attention during the course of our review, which cause us to believe that ELCSS-HK has not:
 - i. properly accounted for the receipt of Lump Sum Grant, Provident Fund 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 Provident Fund arrangements during the year ended 31st March, 2022.

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.



W. H. Wong and Company

Certified Public Accountants

Room 6, 16/F., Enterprise Square 3
39 Wang Chiu Road, Kowloon Bay
Hong Kong


Hong Kong, 24th October, 2022

ANNUAL FINANCIAL REPORT


EVANGELICAL LUTHERAN CHURCH SOCIAL SERVICE - HONG KONG**(1 April 2021 to 31 March 2022)**

	<u>Notes</u>	<u>Total</u> <u>2021-22</u> \$	<u>Total</u> <u>2020-21</u> \$
A. INCOME			
1. Lump Sum Grant			
a. Lump Sum Grant (excluding Provident Fund)	1b	319,182,672.00	280,862,115.00
b. Provident Fund	1c	24,821,447.00	22,741,110.00
2. Fee Income	2	10,665,537.74	9,552,902.62
3. Central Items	3	54,473,173.00	52,148,059.00
4. Rent and Rates	4	8,718,290.00	8,740,500.00
5. Other Income	5	21,061,648.20	21,211,873.88
6. Interest Received		256,093.69	778,946.50
TOTAL INCOME		<u>439,178,861.63</u>	<u>396,035,507.00</u>
B. EXPENDITURE			
1. Personal Emoluments			
a. Salaries		277,598,377.17	248,199,035.59
b. Provident Fund	1c	21,617,135.05	19,551,263.97
c. Allowances		167,222.02	161,253.71
Sub-total	6	<u>299,382,734.24</u>	<u>267,911,553.27</u>
2. Other Charges	7	57,120,363.51	34,273,013.86
3. Central Items	3	48,323,016.18	40,826,968.69
4. Rent and Rates	4	<u>9,093,602.00</u>	<u>8,558,752.50</u>
TOTAL EXPENDITURE		<u>413,919,715.93</u>	<u>351,570,288.32</u>
C. SURPLUS FOR THE YEAR	8	<u>25,259,145.70</u>	<u>44,465,218.68</u>

The Annual Financial Report from pages 2 to 8 has been prepared in accordance with the requirements as set out in the Lump Sum Grant Manual.


 Mr. Kwok Kang Ming
 Chairman
 Evangelical Lutheran Church Social Service -
 Hong Kong

Date: 24 October 2022


 Ms. Chan Lai Kwan
 Chief Executive
 Evangelical Lutheran Church Social Service -
 Hong Kong

Date: 24 October 2022

EVANGELICAL LUTHERAN CHURCH SOCIAL SERVICE - HONG KONG
NOTES ON THE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 31 MARCH 2022
 (Expressed in Hong Kong dollars)

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>	<u>Snapshot Staff</u>	<u>6.8% and Other Posts</u>	<u>Total</u>
	\$	\$	\$
Subvention Received	7,302,407.00	17,519,040.00	24,821,447.00
Provident Fund Contribution Paid during the Year	(6,044,498.16)	(15,572,636.89)	(21,617,135.05)
Surplus for the Year	1,257,908.84	1,946,403.11	3,204,311.95
<u>Add</u> : Surplus b/f	1,577,512.45	19,559,817.07	21,137,329.52
<u>Add</u> : Additional subvention received for previous year(s)	-	144,419.00	144,419.00
<u>Less</u> : Refund to Government	(864,204.00)	-	(864,204.00)
Surplus c/f	1,971,217.29	21,650,639.18	23,621,856.47

- 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.

EVANGELICAL LUTHERAN CHURCH SOCIAL SERVICE - HONG KONG**NOTES ON THE ANNUAL FINANCIAL REPORT****FOR THE YEAR ENDED 31 MARCH 2022**

(Expressed in Hong Kong dollars)

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 the 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:

	<u>2021-22</u>	<u>2020-21</u>
	\$	\$
a. Income		
Dementia Supplement for Residential Elderly Services	944,834.00	970,853.00
Infirmary Care Supplement for Residential Elderly Services	2,760,278.00	2,569,914.00
After School Care Programme - Fee Waiving Subsidy Scheme	688,896.00	600,480.00
Time-defined Subsidy Scheme for Extended Hours Service Users	18,167.00	17,576.00
Training Subsidy under Training Scheme for Child Care Supervisors and Special Child Care Workers in Pre-school Rehabilitation Services	60,000.00	-
Training Sponsorship Scheme for Master in Occupational Therapy and Physiotherapy programmes	1,600,000.00	-
Time-defined Subsidy Scheme for Occasional Child Care Service	53,000.00	53,000.00
Navigation Scheme for Young Persons in Care Services (Unit BB33)		
- Operating Expenses	288,000.00	-
- Training Cost	-	560,000.00
Navigation Scheme for Young Persons in Care Services (Unit 1957)		
- Operating Expenses	1,341,000.00	1,332,000.00
- Training Cost	9,680,000.00	8,320,000.00
- Incentive Allowance	588,000.00	-
Pilot Scheme on Multi-disciplinary Outreaching Support Teams for the Elderly (MOSTE) - Annual Funding Allocation	34,499,004.00	34,484,004.00
MOSTE - Annual Rent and Rates	1,040,784.00	2,081,568.00
Child Care Training for Grandparents - Contract Subsidy	115,973.00	231,945.00
Child Care Training for Grandparents - Subsidy for Fee Reduction/Waiving	7,000.00	-
Special Allowance for Staff of Subvented Residential Service Units in respect of COVID-19	-	723,646.00
Time-defined Allocation of Ethnic Minority District Ambassador Posts - Salary and Mandatory Provident Fund	187,114.00	187,114.00
Time-defined Allocation of Ethnic Minority District Ambassador Posts - Other Charges	16,123.00	15,959.00
One-off Subsidy for Strengthened Provision of Visting Medical Officer Service for Residential Care Homes for the Elderly and Visiting Medical Practitioner Scheme for Residential Care Homes for Persons with Disabilities	585,000.00	-
Total	54,473,173.00	52,148,059.00

EVANGELICAL LUTHERAN CHURCH SOCIAL SERVICE - HONG KONG
NOTES ON THE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 31 MARCH 2022
(Expressed in Hong Kong dollars)

- 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 the 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:

	<u>2021-22</u>	<u>2020-21</u>
	\$	\$
b. Expenditure		
Dementia Supplement for Residential Elderly Services	945,187.38	998,690.56
Infirmity Care Supplement for Residential Elderly Services	2,760,349.08	2,571,288.52
After School Care Programme - Fee Waiving Subsidy Scheme	415,888.00	456,304.00
Time-defined Subsidy Scheme for Extended Hours Service Users	-	800.00
Training Subsidy under Training Scheme for Child Care Supervisors and Special Child Care Workers in Pre-school Rehabilitation Services	30,000.00	-
Training Sponsorship Scheme for Master in Occupational Therapy and Physiotherapy programmes	(405,000.00)	1,080,000.00
Navigation Scheme for Young Persons in Care Services (Unit BB33)		
- Operating Expenses	157,349.17	199,863.50
- Training Cost	1,117,560.00	1,782,720.00
Navigation Scheme for Young Persons in Care Services (Unit 1957)		
- Operating Expenses	1,037,447.05	624,765.97
- Training Cost	5,978,070.00	1,794,461.92
- Incentive Allowance	780,000.00	114,000.00
- Preparation Cost	-	265,200.00
Pilot Scheme on Multi-disciplinary Outreaching Support Teams for the Elderly (MOSTE) - Annual Funding Allocation	33,035,596.57	27,972,455.95
MOSTE - Annual Rent and Rates	2,081,568.00	2,081,568.00
Child Care Training for Grandparents - Contract Subsidy	170,454.43	104,437.02
Child Care Training for Grandparents - Subsidy for Fee Reduction/Waiving	-	1,800.00
Special Allowance for Staff of Subvented Residential Service Units in respect of COVID-19	-	723,646.00
Time-defined Allocation of Ethnic Minority District Ambassador Posts - Salary and Mandatory Provident Fund	182,171.50	53,902.25
Time-defined Allocation of Ethnic Minority District Ambassador Posts - Other Charges	-	1,065.00
One-off Subsidy for Strengthened Provision of Visiting Medical Officer Service for Residential Care Homes for the Elderly and Visiting Medical Practitioner Scheme for Residential Care Homes for Persons with Disabilities	36,375.00	-
Total	<u>48,323,016.18</u>	<u>40,826,968.69</u>

EVANGELICAL LUTHERAN CHURCH SOCIAL SERVICE - HONG KONG
NOTES ON THE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 31 MARCH 2022
(Expressed in Hong Kong dollars)

- 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 is as follows:

	2021-22	2020-21
	\$	\$
Other Income		
(a) Fees and charges for services incidental to the operation of subvented services	20,833,477.47	21,211,873.88
(b) Utilised allocation under Central Items (CI) - After School Care Programme (ASCP)/Enhanced ASCP - Fee Waiving Subsidy Scheme (FWSS) which forms as part of Other Income *	415,888.00	189,004.00
(c) Reimbursement of Maternity Leave Pay (RMLP) Scheme reimbursement received	228,170.73	-
(d) Others	-	-
Sub-Total	<u>21,477,536.20</u>	<u>21,400,877.88</u>
<u>Less:</u> Utilised allocation under CI-ASCP/Enhanced ASCP-FWSS which forms as part of Other Income*	<u>(415,888.00)</u>	<u>(189,004.00)</u>
Total	<u><u>21,061,648.20</u></u>	<u><u>21,211,873.88</u></u>

* For those programmes which are regarded as FSA-related activities only

- 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.	34	25,503,557.58
HK\$800,001 - HK\$900,000 p.a.	8	6,726,534.35
HK\$900,001 - HK\$1,000,000 p.a.	20	19,149,741.48
HK\$1,000,001 - HK\$1,100,000 p.a.	6	6,144,565.00
HK\$1,100,001 - HK\$1,200,000 p.a.	3	3,452,245.80
>HK\$1,200,000 p.a.	3	4,086,025.41

The breakdown on Other Charges is as follows:

	<u>2021-22</u>	<u>2020-21</u>
	\$	\$
Other Charges		
(a) Utilities	3,340,814.04	2,191,662.60
(b) Food	5,455,551.40	4,537,513.99
(c) Administrative Expenses	2,014,187.28	2,029,927.59
(d) Stores and Equipment	8,762,616.57	1,997,732.64
(e) Repair and Maintenance	1,424,840.04	1,013,651.83
(f) Special Allowances	1,190.00	370.00
(g) Programme Expenses	13,350,155.95	7,645,645.57
(h) Transportation and Travelling	2,090,855.03	1,405,504.29
(i) Insurance	2,655,648.59	2,193,448.02
(j) Miscellaneous		
-Cost of Sales	50,452.55	3,839.29
-Hire of Services	1,209,066.90	684,313.50
-Hire of Medical Service	4,232,793.20	5,009,469.00
-Information Technology Expenses	7,082,039.12	2,040,898.59
-Others	5,866,040.84	3,708,040.95
Sub-Total	<u>57,536,251.51</u>	<u>34,462,017.86</u>
<u>Less:</u> Utilised allocation under CI-ASCP / Enhanced ASCP-FWSS* which forms as part of Other Income to fund the operating expenses of FSA-related activities	<u>(415,888.00)</u>	<u>(189,004.00)</u>
Total	<u>57,120,363.51</u>	<u>34,273,013.86</u>

* For those programmes which are regarded as FSA-related activities only

EVANGELICAL LUTHERAN CHURCH SOCIAL SERVICE - HONG KONG
NOTES ON THE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 31 MARCH 2022
(Expressed in Hong Kong dollars)

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

	Lump Sum Grant (LSG)	Adjustment for Utilised allocation under ASCP / Enhanced ASCP- FWSS	Rent and Rates	Central Items (CI)	Total
	\$	\$	\$	\$	\$
Income					
Lump Sum Grant	344,004,119.00	-	-	-	344,004,119.00
Fee Income	10,665,537.74	-	-	-	10,665,537.74
Other Income	21,477,536.20	(415,888.00)	-	-	21,061,648.20
Interest Received (Note (1))	256,093.69	-	-	-	256,093.69
Rent and Rates	-	-	8,718,290.00	-	8,718,290.00
Central Items	-	-	-	54,473,173.00	54,473,173.00
Total Income (a)	376,403,286.63	(415,888.00)	8,718,290.00	54,473,173.00	439,178,861.63
Expenditure					
Personal Emoluments	299,382,734.24	-	-	-	299,382,734.24
Other Charges	57,536,251.51	(415,888.00)	-	-	57,120,363.51
Rent and Rates	-	-	9,093,602.00	-	9,093,602.00
Central Items	-	-	-	48,323,016.18	48,323,016.18
Total Expenditure (b)	356,918,985.75	(415,888.00)	9,093,602.00	48,323,016.18	413,919,715.93
Surplus/(Deficit) for the Year (a) - (b)	19,484,300.88	-	(375,312.00)	6,150,156.82	25,259,145.70
Less : Surplus of Provident Fund	3,204,311.95		-	-	3,204,311.95
Surplus/(Deficit) b/f (Note (2))	16,279,988.93	-	(375,312.00)	6,150,156.82	22,054,833.75
	104,435,078.91	-	(191,274.36)	23,713,356.78	127,957,161.33
	120,715,067.84	-	(566,586.36)	29,863,513.60	150,011,995.08
Less : Refund to Government					
- Dated 30-11-2021 with ref. SWD SF/SAS/4-35/2/46(206) (R&R/ EHSU/ OCCS)	-	-	(236,998.50)	(69,776.00)	(306,774.50)
- Repayment of Grant under the TSS(MOT/MPT) (3rd Round) (Demand Note #051-073-001454-1)	-	-	-	(405,000.00)	(405,000.00)
Deficit borne by the agency as follows:					
- Dementia Supplement and Infirmary Care Supplement for Residential	-	-	-	424.46	424.46
Surplus/(Deficit) c/f (Note (4))	120,715,067.84	-	(803,584.86)	29,389,162.06	149,300,645.04

Note :

Including an amount \$ being the utilised allocation under CI-ASCP / Enhanced ASCP-FWSS*

* For those programmes which are regarded as FSA-related activities only

- (1) Interest received on LSG 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 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 Infirmary Care Supplement, if any, as per Schedule for Central Items.
- (4) The level of LSG cumulative reserve (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.