

HONG KONG PLAYGROUND ASSOCIATION

THE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 31 MARCH, 2012

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CERTIFIED PUBLIC ACCOUNTANTS
HONG KONG

**REVIEW REPORT ON THE ANNUAL FINANCIAL REPORT
TO THE EXECUTIVE COMMITTEE OF
HONG KONG PLAYGROUND ASSOCIATION**

(Incorporated in Hong Kong under Hong Kong Playground Association Ordinance)

We have audited the financial statements of Hong Kong Playground Association ("the Association") for the year ended 31 March, 2012 and have issued an unqualified auditors' report thereon dated 22 June, 2012.

We conducted our review of the attached Annual Financial Report on pages 2 to 6 of the Association for the year ended 31 March, 2012 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 Association, on which the above audited financial statements of the Association 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 Association for the year ended 31 March, 2012.

- a. in our opinion the Annual Financial Report has been properly prepared from the books and records of the Association; and
- b. no matters have come to our attention during the course of our review, which cause us to believe that the Association 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; and
 - iii. prepared the Annual Financial Report in accordance with the format and requirements set out in LSG Manual.
 - iv. employed the staff quoted in the Provident Fund arrangements during the year ended 31 March, 2012.

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, 22 June, 2012

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Fan, Chan & Co. is a member firm of Nexia International, a worldwide network of independent accounting and consulting firms.

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HONG KONG PLAYGROUND ASSOCIATION
1 APRIL 2011 TO 31 MARCH 2012

	Notes	2011-12 \$	2010-11 \$
A. INCOME			
1. Lump Sum Grant			
a. Lump Sum Grant (excluding Provident Fund)	1b	60,596,091	56,255,641
b. Provident Fund	1c	7,936,211	7,805,951
3. Fee Income	2	246,360	261,610
4. Central Items	3	11,122,810	10,730,189
5. Rent & Rates	4	2,748,477	2,426,794
6. Other Income	5	18,379,086	17,393,741
7. Interest Received		148,104	23,563
TOTAL INCOME		<u>101,177,139</u>	<u>94,897,489</u>
B. EXPENDITURE			
1. Personal Emoluments			
a. Salaries		63,387,406	58,407,681
b. Provident Fund	1c	7,234,984	6,605,807
Sub-total	6	<u>70,622,390</u>	<u>65,013,488</u>
2. Other Charges	7	18,519,696	17,075,509
3. Central Items	3	10,548,125	10,403,828
4. Rent & Rates	4	2,863,869	2,804,008
TOTAL EXPENDITURE		<u>102,554,080</u>	<u>95,296,833</u>
C. (DEFICIT) FOR THE YEAR	8	<u>(1,376,941)</u>	<u>(399,344)</u>

Approved by the Executive Committee on 22 June, 2012



Chairman



Executive Director

NOTES ON THE ANNUAL FINANCIAL REPORT
HONG KONG PLAYGROUND ASSOCIATION
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1. Lump Sum Grant

a. Basis of preparation The Annual Financial Report (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 **should not** be 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. Please note that the PF received and contributed for staff under the Central Item should be shown under 3. In other words, such PF should **not** be included here (LSG Circular No.1/2001). Details are analysed below:

<u>Provident Fund Contribution</u>	Snapshot Staff \$	6.8% and Other Posts \$	Total \$
Subvention Received	6,477,973	1,458,238	7,936,211
Provident Fund Contribution	(6,078,929)	(1,156,055)	(7,234,984)
Paid during the Year			
Surplus/(Deficit) for the Year	399,044	302,183	701,227
Add : Surplus/(Deficit) b/f	1,783,664	2,426,460	4,210,124
Transfer to SWD lump sum grant reserve (adjustment)	-	(600,576)	(600,576)
Surplus/(Deficit) c/f	2,182,708	2,128,067	4,310,775

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 should be separately included as part of the income and expenditure of the relevant items (LSG Circular No.1/2001). The income and expenditure of each of the Central Items are as follows:

	2011-12	2010-11
	\$	\$
a. <u>Income</u>		
Programme Workers posts for 4 years from 2008-09 to 2011-12	9,432,576	9,432,576
Programme Assistants (PA)/Care Assistants (CA) allocated vide management letter ref.(17) in SWD/S/203/1 Pt.8 dated 17 March 2007	1,690,234	1,297,613
Total	<u>11,122,810</u>	<u>10,730,189</u>
b. <u>Expenditure</u>		
Programme Work posts for 4 years from 2008-09 to 2011-12	8,975,080	9,164,384
Programme Assistants (PA)/Care Assistants (CA) allocated vide management letter ref.(17) in SWD/S/203/1 Pt.8 dated 17 March 2007	1,573,045	1,239,444
Total	<u>10,548,125</u>	<u>10,403,828</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 should not be 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 need not be included as Other Income in AFR. However, treatment of fees and charges as specified under para.2.29 to 2.30 of the Manual remains unchanged (LSG Circular No.1/2001).

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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 \$500,000 each is appended below:

Analysis of Personal Emoluments	No of Posts	\$
HK\$500,001 - HK\$600,000 p.a.	12	6,688,289
HK\$600,001 - HK\$700,000 p.a.	3	2,069,774
HK\$700,001 - HK\$800,000 p.a.	18	12,820,016
HK\$800,001 - HK\$900,000 p.a.	1	871,488
HK\$900,001 - HK\$1,000,000 p.a.	6	5,405,184
>HK\$1,000,000 p.a.	1	1,207,749
	<u>41</u>	<u>29,062,500</u>

7. **Other Charges**

The breakdown on Other Charges is as follows:

	2011-12	2010-11
Other Charges	\$	\$
(a) Utilities	1,358,136	1,300,788
(b) Food	-	-
(c) Administrative Expenses	660,697	679,058
(d) Stores and Equipment	1,200,315	1,117,750
(e) Repairs & Maintenance	329,517	323,286
(f) Special Allowances	-	-
(g) Programme Expenses	6,914,604	6,383,541
(h) Transportation and Travelling	273,241	244,021
(i) Insurance	407,418	346,835
(j) Miscellaneous	7,375,768	6,680,230
Total	<u>18,519,696</u>	<u>17,075,509</u>

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8. Analysis of Reserve Fund

	Analysis of Reserve Fund				
	Lump Sum Grant (LSG)	Special One-off Grant (SOG)	Rent and Rates	Central Items	Total
	\$	\$	\$	\$	\$
Income					
Lump Sum Grant	68,532,302	-	-	-	68,532,302
Fee Income	246,360	-	-	-	246,360
Other Income	18,379,086	-	-	-	18,379,086
Interest Received (Note (1))	148,104	-	-	-	148,104
Rent and Rates	-	-	2,748,477	-	2,748,477
Central Items	-	-	-	11,122,810	11,122,810
Total Income (a)	87,305,852	-	2,748,477	11,122,810	101,177,139
Expenditure					
Personal Emoluments	70,622,390	-	-	-	70,622,390
Other Charges	18,519,696	-	-	-	18,519,696
Rent and Rates	-	-	2,863,869	-	2,863,869
Central Items	-	-	-	10,548,125	10,548,125
Total Expenditure (b)	89,142,086	-	2,863,869	10,548,125	102,554,080
Surplus/(Deficit) for the year (a) - (b)	(1,836,234)	-	(115,392)	574,685	(1,376,941)
<u>Less</u> Surplus/(Deficit) of Provident Fund	<u>(701,227)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(701,227)</u>
Surplus/(Deficit) for the year	(2,537,461)	-	(115,392)	574,685	(2,078,168)
<u>Add:</u> Surplus/(Deficit) b/f	<u>16,384,810</u>	<u>(99,711)</u>	<u>(837,918)</u>	<u>326,361</u>	<u>15,773,542</u>
	13,847,349	(99,711)	(953,310)	901,046	13,695,374
<u>Add:</u> Reallocation of account as approved by	<u>(99,711)</u>	<u>99,711</u>	<u>-</u>	<u>-</u>	<u>-</u>
Backpayment of Rent & Rates for	<u>-</u>	<u>-</u>	<u>589,370</u>	<u>-</u>	<u>589,370</u>
2007/08 - 2010/11					
Transfer from SWD provident fund	<u>600,576</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>600,576</u>
reserve (adjustment)					
I.T. System Enhancement	<u>(96,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(96,500)</u>
<u>Less</u> Refund to Government	<u>-</u>	<u>-</u>	<u>(79,386)</u>	<u>(326,361)</u>	<u>(405,747)</u>
Surplus/(Deficit) c/f (Note (4))	14,251,714	-	(443,326)	574,685	14,383,073

Notes:

- (1) Interest received on LSG and PF reserves, rent and rates, central items, Special One-off Grant should be included as one item under LSG; and the item is considered as part of LSG reserve.
- (2) Accumulated balance Lump Sum Grant Surplus b/f from previous years 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 Programme Assistants, Care Assistants, Dementia Supplement and Infirmary Care Supplement, if any, as per **Annex 2**.
- (4) The level of LSG cumulative reserve (i.e. S) will be capped at 25% of the NGO's operating expenditure (excluding PF expenditure) for the year.