

HONG KONG PLAYGROUND ASSOCIATION

THE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 31 MARCH, 2018

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FAN, CHAN & CO.

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, 2018 and have issued an unqualified auditor's report thereon dated 28 June, 2018.

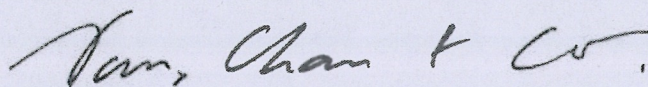
We conducted our review of the attached Annual Financial Report on pages 2 to 6 of the Association for the year ended 31 March, 2018 in accordance with Practice Note 851 "Review of the Annual Financial Reports of Non-governmental Organisations" issued by the Hong Kong Institute of Certified Public Accountants. 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, 2018.

- 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 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 LSG Manual; and
 - iv. employed the staff quoted in the Provident Fund arrangements during the year ended 31 March, 2018.

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, 28 June, 2018



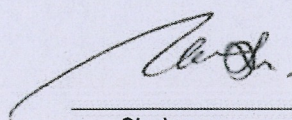
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HONG KONG PLAYGROUND ASSOCIATION
1 APRIL 2017 TO 31 MARCH 2018

	Notes	2017-18 \$	2016-17 \$
A. INCOME			
1. Lump Sum Grant			
a. Lump Sum Grant (excluding Provident Fund)	1b	83,246,080	80,947,602
b. Provident Fund	1c	10,122,924	10,255,930
3. Fee Income	2	189,960	185,600
4. Central Items	3	10,500	40,500
5. Rent and Rates	4	3,297,064	3,283,131
6. Other Income	5	23,161,965	21,541,623
7. Interest Received		77,781	44,881
TOTAL INCOME		120,106,274	116,299,267
B. EXPENDITURE			
1. Personal Emoluments			
a. Salaries		84,463,971	82,441,430
b. Provident Fund	1c	9,614,862	9,585,015
Sub-total	6	94,078,833	92,026,445
2. Other Charges	7	22,294,783	20,852,256
3. Central Items	3	2,250	15,000
4. Rent and Rates	4	3,821,420	3,801,509
TOTAL EXPENDITURE		120,197,286	116,695,210
C. (DEFICIT)/ SURPLUS FOR THE YEAR	8	(91,012)	(395,943)

Approved by the Executive Committee on 28 June, 2018



 Chairman



 Executive Director

NOTES ON THE ANNUAL FINANCIAL REPORT
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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 Lumpsum 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 3. Details are analysed below:

<u>Provident Fund Contribution</u>	Snapshot Staff	6.8% and Other Posts	Total
	\$	\$	\$
Subvention Received	7,423,944	2,698,980	10,122,924
Provident Fund Contribution	(7,164,182)	(2,450,680)	(9,614,862)
Paid during the Year			-
Surplus for the Year	259,762	248,300	508,062
Add : Surplus b/f	979,130	5,429,541	6,408,671
Add : Additional subvention received for previous year	-	233,499	233,499
Add : Recovery of surplus for Snapshot staff per SWD's letter dd 9/1/2018	(74,897)	-	(74,897)
Less: Refund to Government	(728,279)	-	(728,279)
Surplus c/f	435,716	5,911,340	6,347,056

- 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 Agency. 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:

	2017-18	2016-17
a. <u>Income</u>	\$	\$
After School Care Programme	10,500	40,500
Total	<u>10,500</u>	<u>40,500</u>
b. <u>Expenditure</u>		
After School Care Programme	(2,250)	(15,000)
Total	<u>(2,250)</u>	<u>(15,000)</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 (paragraph 2.29 of LSG Manual (October 2016)) is as follows:

	2017-18	2016-17
Other Income	\$	\$
a. Fees and charges for services incidental to the operation of subvented services	23,161,965	21,541,623
b. Others	-	-
Total	<u>23,161,965</u>	<u>21,541,623</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 \$700,000 each paid under LSG is appended below:

Analysis of Personal Emoluments	No of Posts	\$
HK\$700,001 - HK\$800,000 p.a.	2	1,499,886
HK\$800,001 - HK\$900,000 p.a.	3	2,459,720
HK\$900,001 - HK\$1,000,000 p.a.	23	20,912,071
HK\$1,000,001 - HK\$1,100,000 p.a.	0	-
HK\$1,100,001 - HK\$1,200,000 p.a.	8	8,942,400
>HK\$1,200,000 p.a.	1	1,636,818
	<u>37</u>	<u>35,450,895</u>

7. Other Charges

The breakdown on Other Charges is as follows:

	2017-18	2016-17
Other Charges	\$	\$
(a) Utilities	1,353,757	1,330,965
(b) Food	-	-
(c) Administrative Expenses	792,862	649,963
(d) Stores and Equipment	1,289,424	1,439,763
(e) Repairs & Maintenance	594,150	557,542
(f) Special Allowances	-	-
(g) Programme Expenses	6,809,295	6,597,601
(h) Transportation and Travelling	305,663	316,597
(i) Insurance	325,258	608,323
(j) Honorarium to Instructors	10,710,163	9,261,000
(k) Miscellaneous	114,211	90,502
Total	<u>22,294,783</u>	<u>20,852,256</u>

7a. Special One-off Grant Payments

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

	2017-18	2016-17
	\$	\$
(a) Voluntary Retirement Scheme	-	-
(b) Compensation Scheme	-	-
(c) Staff Training & Development	-	-
(d) Other Staff-related Initiatives	-	-
Total	<u>-</u>	<u>-</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	93,369,004	-	-	-	93,369,004
Fee Income	189,960	-	-	-	189,960
Other Income	23,161,965	-	-	-	23,161,965
Interest Received (Note (1))	77,781	-	-	-	77,781
Rent and Rates	-	-	3,297,064	-	3,297,064
Central Items	-	-	-	10,500	10,500
Total Income (a)	116,798,710	-	3,297,064	10,500	120,106,274
Expenditure					
Personal Emoluments	94,078,833	-	-	-	94,078,833
Other Charges	22,294,783	-	-	-	22,294,783
Rent and Rates	-	-	3,821,420	-	3,821,420
Central Items	-	-	-	2,250	2,250
Total Expenditure (b)	116,373,616	-	3,821,420	2,250	120,197,286
Surplus/(Deficit) for the year (a) - (b)	425,094	-	(524,356)	8,250	(91,012)
Less (Surplus)/Deficit of Provident Fund	(508,062)	-	-	-	(508,062)
Surplus/(Deficit) for the year	(82,968)	-	(524,356)	8,250	(599,074)
Add: Surplus/(Deficit) b/f	3,202,158	-	(670,198)	62,999	2,594,959
	3,119,190	-	(1,194,554)	71,249	1,995,885
Add: Unrecognised Modernization Works	-	-	-	-	-
Backpayment of Rent & Rates for 2011/12 to 2014/15	-	-	665,463	-	665,463
Less Refund to Government	-	-	(1,156)	-	(1,156)
Surplus/(Deficit) c/f (Note (3))	3,119,190	-	(530,247)	71,249	2,660,192

Notes:

- (1) All the interest received on LSG and PF reserves, rent and rates, central items, Special One-off Grant is 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 and all interest received in previous years are 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 Schedule of Central Items (Annex 1).
- (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.

* Future planning for utilization of the LSG Reserve to cover whenever future LSG deficits.

** Future planning for utilization of the PF Reserve to contribute higher percentage (i.e. from 5% to 8%) for MPF and related PF payment for LSG Subvented Staff.