

HONG KONG FAMILY WELFARE SOCIETY

EXECUTIVE COMMITTEE'S REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST MARCH 2019

HONG KONG FAMILY WELFARE SOCIETY

REPORT OF THE EXECUTIVE COMMITTEE

The Executive Committee submits its report together with the audited financial statements of Hong Kong Family Welfare Society (the “Society”) for the year ended 31st March 2019.

Principal activity

The principal activity of the Society is the provision of welfare services.

Business review

Main business

Hong Kong Family Welfare Society, established in 1949, is one of the major social service organisations in Hong Kong. With a family perspective, the Society is committed to delivering quality and professional social services to enhance the well-being of families and individuals in Hong Kong and to foster a caring community.

The Society renders the following major types of social services for families and individuals through its 43 service centres in Hong Kong:

- a) Integrated Family Services – including 6 Integrated Family Service Centres, Kindergarten Social Work Service, Zonta White House – Family Retreat Centre, Clinical Psychological Service and service projects to promote the well-being of families;
- b) Mediation and Divorce Services – including a Mediation Centre, a Family Resource Centre, a Parent-child Contact Centre, and “Child-focused” Parenting Coordination & Co-parenting Services for Divorce Families;
- c) Child Care Services – including Foster Care Service, Neighbourhood Support Child Care Project, and After School Care and Support Programmes;
- d) Children and Youth Services – including an Integrated Children and Youth Service Centre, School Social Work Service for 40 secondary schools, a Financial Education Centre, and a variety of service projects to serve the developmental needs of young people;
- e) Elderly and Community Support Services – including an Integrated Home Care Service, Enhanced Home and Community Care Service, a Senior Citizen Centre, Self-financed “Viva” and service projects that address the mental health issues of elders and their carers; and
- f) Special Services – including a Women and Family Enhancement Centre, Services for Multi-Generational Families, Volunteer Service, and Wellness Programme.

In the financial year 2018/19, the Society was at the peak of planning of two organisation-wide projects, namely the Envisioning 2024 and the Branding Revitalisation Exercise. Strategic planning of the Envisioning 2024 was completed this year with the objective to clarify/define the Society’s positioning in the coming 5 years, to create the desired social impact in response to the needs/expectations of key stakeholders, especially service users, and maximize the uniqueness of the organisation in the changing environment.

While the year 2019 marks the 70th anniversary of the Society, we kicked off the Anniversary celebration with our new brand in March 2019. Via widely publicizing our new brand and identity with our smart logo, re-vitalized website and various events, we would like our internal and external stakeholders to share our vision and passion that “Family Matters”. We have successfully completed the 70th Anniversary Fundraising Gala with an encouraging result of having donations from various generous donors. Fund raised would be injected to our “Innovative Services of Love for Family” to address the needs of disadvantaged groups.

HONG KONG FAMILY WELFARE SOCIETY

REPORT OF THE EXECUTIVE COMMITTEE (CONTINUED)

Business review (Continued)

Business review and performance analysis

The Society was financially stable with an increase in total income by 12.7% as compared with that of last year. Its major source of fund was from the subvention by the SWD, including Lump Sum Grant ("LSG"), which was 77.6% of the total income. The Society also got funding support from other government departments and different kinds of project fund and charity fund, including The Community Chest, The Hong Kong Jockey Club Charities Trust and the Lotteries Fund Grant as well as donation from individuals and corporates.

All along, the Society complies with the requirements stipulated in the SWD LSG Manual, Lotteries Fund Manual and 16 Service Quality Standards. The Society has policies to ensure all units observe the relevant legal obligations in their operation, including Employment Ordinance and Personal Data (Privacy) Ordinance. In 2014, the SWD introduced a new requirement, namely the Best Practice Manual ("BPM"), and the Society has reviewed its policies and procedures to comply with the "Level One" requirements stipulated in the BPM.

The Society has generally met the performance requirements agreed with its funders, including the Service Quality Standards, Essential Service Requirements, Output Standards and Outcome standards set out by the SWD. Besides, its services received positive feedback from service users.

During the year, the Society was granted different awards for its contributions:

- a) "Bronze Donors Award" of Corporate and Employee Contribution Programme 2018/19 by the Community Chest;
- b) The status of "Manpower Developer" (1st April 2019 – 31st March 2020) in the "Employees Retraining Board ("ERB") Manpower Developer Award Scheme";
- c) Financial Education Centre received the 2019 Financial Education Champion Award from the Investor and Financial Education Council and the "Corporate Financial Education Leadership - Gold Award" in the IFPHK Financial Education Leadership Awards 2018 and 2019.

Key Relationships

a) Members

Members of the Society are persons, corporates or institutional bodies who register and subscribe to the Articles of Association and pay the annual subscription. At the end of the financial year 2018/19, the Society maintained a membership of 117.

b) Service Users

In general, service users of the Society are families or individuals who meet the eligibility criteria for services of the Society and wish to use the Society's services. Apart from providing appropriate services to its service users, the Society also promotes a family-friendly environment and advocates policies which enhance family well-being. The Society continued to organize the Family Month in May 2018 and conduct a second time the Hong Kong Family Well-being Survey to arouse public concern towards family well-being and advocate positive family values. Besides, the Society took an active stance in sharing views and concerns towards relevant social issues, government policies and legislation, including "Review of the enhancement of the LSG Subvention System", "Convention on the Elimination of All Forms of Discrimination against Women", "United Nations Convention on the Rights of Persons with Disabilities", "Miscellaneous Sexual Offences" etc.

HONG KONG FAMILY WELFARE SOCIETY

REPORT OF THE EXECUTIVE COMMITTEE (CONTINUED)

Business review (Continued)

Key Relationships (Continued)

b) Service Users (Continued)

During the year, the Society offered education, preventive and remedial services for more than 483,000 beneficiaries and provided intensive service for more than 29,500 individual and family cases.

c) Staff

The Society maintained a work force of over 990 as at 31st March 2019, comprising professional, management, administrative, frontline and support staff. The number of staff slightly increased as compared with 2017/18.

d) Funders and External Partners

The Society has maintained close collaboration with government departments, funders and strategic partners to put joint efforts in service provision to benefit the service users and the community as a whole. During the year, the management staff served in over 130 committees, panels, working groups, task force, liaison groups and network meetings of different nature set up under the SWD, Home Affairs Bureau, Department of Justice, Social Workers Registration Board, Hong Kong Social Workers Association, Hong Kong Council of Social Service and Hospital Authority, etc., to advise on the development of social services, social welfare policies and issues relating to the welfare of its service users and the community as a whole. All these efforts are to actualize the Society's mission to promote the well-being of families and foster a caring community.

Principal risks and uncertainties

With increased complexity in the external environment, it is inevitable that the Society is exposed to risk which would affect its ability to achieve the planned objectives. To manage risks and to ensure sustainable development of the Society, a Risk Management ("RM") Policy and Framework has been formulated and implemented since 2014. There was progress report to the Executive Committee on a regular basis to ensure that risks are identified, appropriately assessed, mitigated and managed, and continual enhancement of its services and operations is in place.

The Society had an overall staff turnover rate at 18.6%, which recorded an increase as compared with the figure of 12.4% last year. With service expansion in the social welfare sector, we faced strong competition in the manpower market. There was difficulty in the recruitment and retention of social workers, paramedical staff and frontline care staff. As in the past years, the Society conducted regular monitoring of the turnover rate and took different measures to tackle the issues, including annual review of the remuneration package to align with the manpower market, and enhance the Human Resource initiatives and benefits to promote the competitiveness in recruitment and retention of staff. The Society had enhanced choices and benefits of its Mandatory Provident Fund Schemes, and Group Medical Insurance Scheme for staff.

Future development

The Society will be celebrating its 70th Anniversary in 2019 and will be continuing the two exercises of Envisioning and Branding Re-vitalization. With the identified strategic goals and the developed Brand model, the Society will move into the execution stage to work out action plans. Besides, the Society will strive to sustain and enhance its existing services and develop new initiatives to meet the changing social needs and demands. The Society will continue to collaborate with the public and private sectors for better synergies in service provision to serve families and the community.

HONG KONG FAMILY WELFARE SOCIETY

REPORT OF THE EXECUTIVE COMMITTEE (CONTINUED)

Results

The results of the Society for the year are set out in the statement of comprehensive income on page 10.

Own funds

Details of the movements in own funds of the Society during the year are set out in notes 10 to 12 to the financial statements.

Executive Committee members

The members of the Executive Committee during the year and up to the date of this report were:

Mr. Law Kin Chung, Christopher, JP (Chairman)
Dr. Cheng Cheuk Sang, Arnold (Vice Chairman)
Mr. Cheng Shee Sing, Patrick (Honorary Treasurer)
Mrs. Choy Pun Siu Fun, Veronica, MBE, JP
Dr. Chung See Yuen
Mrs. Lai Wei Kit Lin, Minnie, MH, JP
Mr. Lau King Shing, Daniel
Mr. Law Sheung Ping, James
Ms. Siu Wing Yee, Sylvia, JP
Dr. Tang Sau Lim, Philip
Mrs. Kwok Leung Kit Kan, Ingrid
Mr. Loong Hon Biu, Louis
Ms. Lau Wing Yin, Cecilia
Mr. Wu Yeung Key, Jimmy (resigned on 13th November 2018)
Ms. Yip Yun Wan, Amarantha (Executive Director) (ex-officio)

Mr. Wu Yeung Key, Jimmy resigned as Executive Committee member of the Society of his personal accord. He has confirmed that there are no disagreements with the Board and nothing relating to the affairs of the Society needed to be brought to the attention of the Executive Committee of the Society.

In accordance with Article 31 of the Society's Articles of Association, the members of the Executive Committee (except ex-officio) shall be elected annually from amongst the members of the Society in the Annual General Meeting.

In accordance with Article 35 of the Society's Articles of Association, the Executive Committee may appoint not more than four persons to be co-opted members of the Executive Committee but so that the total number of Executive Committee members shall not at any time exceed 16.

Executive Committee members' material interests in transactions, arrangements and contracts that are significant in relation to the Society's business

No transactions, arrangements and contracts of significance in relation to the Society's business to which the Society was a party and in which an Executive Committee member of the Society had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

HONG KONG FAMILY WELFARE SOCIETY

REPORT OF THE EXECUTIVE COMMITTEE (CONTINUED)

Executive Committee members' interests in the shares and debentures of the Society or any specified undertaking of the Society

At no time during the year was the Society a party to any arrangement to enable the Executive Committee members of the Society to hold any interests in the shares or debentures of the Society or its specified undertakings.

Management contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Society were entered into or existed during the year.

Permitted indemnity provisions

A permitted indemnity provision (as defined in Section 469 of the Hong Kong Companies Ordinance (Cap. 622)) for the benefit of the Executive Committee members of the Society is currently in force and was in force throughout the year.

Auditor

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Executive Committee



Law Kin Chung, Christopher
Chairman

Hong Kong, 11 OCT 2019

**INDEPENDENT AUDITOR'S REPORT
TO THE EXECUTIVE COMMITTEE OF HONG KONG FAMILY WELFARE SOCIETY**
(Incorporated in Hong Kong and limited by guarantee)

Opinion

What we have audited

The financial statements of Hong Kong Family Welfare Society (the "Society") set out on pages 9 to 51, which comprise:

- the balance sheet as at 31st March 2019;
- the statement of comprehensive income for the year then ended;
- the statement of changes in own funds for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Society as at 31st March 2019, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Society in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

The Executive Committee is responsible for the other information. The other information comprises the information included in the Executive Committee's report and the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

**INDEPENDENT AUDITOR'S REPORT
TO THE EXECUTIVE COMMITTEE OF HONG KONG FAMILY WELFARE SOCIETY
(CONTINUED)**

(Incorporated in Hong Kong and limited by guarantee)

Other Information (Continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Executive Committee for the Financial Statements

The Executive Committee is responsible for the preparation of the financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the Executive Committee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Executive Committee is responsible for assessing the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Executive Committee either intends to liquidate the Society or to cease operations, or has no realistic alternative but to do so.

The Executive Committee's responsibilities include overseeing the Society's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**INDEPENDENT AUDITOR'S REPORT
TO THE EXECUTIVE COMMITTEE OF HONG KONG FAMILY WELFARE SOCIETY
(CONTINUED)**

(Incorporated in Hong Kong and limited by guarantee)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Committee.
- Conclude on the appropriateness of the Executive Committee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Society's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Society to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Executive Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers', is written over the printed name and title.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 11 OCT 2019

HONG KONG FAMILY WELFARE SOCIETY
(All amounts in Hong Kong dollars unless otherwise stated)

BALANCE SHEET


| | | As at 31st March | |
|--|-------------|--------------------|--------------------|
| | Note | 2019 | 2018 |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 4 | 20,289,091 | 15,259,074 |
| Trust fund assets | 6 | 63,829,409 | 65,754,480 |
| Total non-current assets | | 84,118,500 | 81,013,554 |
| Current assets | | | |
| Receivables from Lotteries Fund | 7 | 10,165,005 | - |
| Deposits, prepayments and other receivables | 8 | 14,791,753 | 11,537,320 |
| Fixed deposits with original maturity over three months | 9 | 24,223,240 | 23,801,458 |
| Cash and cash equivalents | 9 | 196,574,197 | 179,952,492 |
| Total current-assets | | 245,754,195 | 215,291,270 |
| Total assets | | 329,872,695 | 296,304,824 |
| FUNDS AND RESERVES | | | |
| Own funds | | | |
| General Fund | 10 | 57,730,153 | 54,509,881 |
| Capital Reserve | 11 | 1,466,914 | 1,709,024 |
| Designated Funds | 12 | 38,966,051 | 33,293,296 |
| Total own funds | | 98,163,118 | 89,512,201 |
| Other reserves and trust funds | | | |
| Social Welfare Lump Sum Grant Reserve | 13(a) | 79,401,585 | 70,155,052 |
| Provident Fund Reserve | 13(b) | 17,104,678 | 17,521,418 |
| Subvented Employee Benefit Reserve | 13(a) & (c) | 15,430,809 | 13,966,936 |
| Social Welfare Subvention Reserve | 14 | 8,610,811 | 6,096,187 |
| Trust Funds | 15 | 63,829,409 | 65,754,480 |
| Total other reserves and trust funds | | 184,377,292 | 173,494,073 |
| Total funds and reserves | | 282,540,410 | 263,006,274 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Deferred income | 16 | 14,125,778 | 9,674,295 |
| Current liabilities | | | |
| Payables and receipts in advance | 17 | 15,920,918 | 11,171,014 |
| Home help deposits received | | 94,000 | 82,500 |
| Provisions for unutilised annual leave and long service payments | | 5,409,631 | 4,517,035 |
| Deferred income | 16 | 11,781,958 | 7,853,706 |
| Total current liabilities | | 33,206,507 | 23,624,255 |
| Total liabilities | | 47,332,285 | 33,298,550 |
| Total funds and liabilities | | 329,872,695 | 296,304,824 |

The above balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 9 to 51 were approved by the Executive Committee on and were signed on its behalf.

11 OCT 2019


Law Kin Chung, Christopher
Chairman


Cheng Shee Sing, Patrick
Honorary Treasurer

HONG KONG FAMILY WELFARE SOCIETY
(All amounts in Hong Kong dollars unless otherwise stated)

STATEMENT OF COMPREHENSIVE INCOME

| | | Year ended 31st March | |
|---|-------|-----------------------|--------------------|
| | Note | 2019 | 2018 |
| Revenue | | | |
| Government subvention | | 355,784,661 | 325,323,225 |
| One-off subsidy from Social Welfare Department | | 19,200 | 15,000 |
| Income from Lotteries Fund – Block Grant | | 3,786,210 | 3,565,378 |
| Income from Lotteries Fund – Social Welfare Development Fund (“SWDF”) | | 1,480,992 | 1,617,682 |
| Income from Lotteries Fund - General | | 13,538,489 | 9,110,025 |
| Back payment from Social Welfare Department | | 852,615 | 1,207,665 |
| Home help fees | | 9,862,142 | 9,879,145 |
| Donation funding for specific projects from: | | | |
| - The Community Chest – Baseline Allocation | | 4,845,300 | 4,704,100 |
| - The Hong Kong Jockey Club Charities Trust | | 3,857,925 | 1,747,407 |
| - Other sponsors | 21 | 41,390,137 | 32,216,397 |
| Donations and income from fund raising activities | 22 | 5,702,482 | 2,154,265 |
| Subsidiary services and other project income | | 16,599,316 | 14,792,033 |
| | | <u>457,719,469</u> | <u>406,332,322</u> |
| Other income | | | |
| Dividend income | | 1,403,032 | 1,284,866 |
| Interest income | | 589,140 | 318,440 |
| | | <u>1,992,172</u> | <u>1,603,306</u> |
| Total income | | <u>459,711,641</u> | <u>407,935,628</u> |
| Expenditure | | | |
| Employee benefit expenses | 18 | 334,565,394 | 311,113,532 |
| Programme expenses | 19 | 57,436,838 | 45,299,404 |
| Premises expenses | 20 | 13,961,264 | 13,362,077 |
| Other expenses | 20 | 28,001,156 | 25,530,101 |
| Total expenditure | | <u>433,964,652</u> | <u>395,305,114</u> |
| Surplus and total comprehensive income for the year | | <u>25,746,989</u> | <u>12,630,514</u> |
| Utilisation of current year’s surplus: | | | |
| Surplus transferred to: | | | |
| - General Fund | 10 | 3,220,272 | 39,032 |
| - Capital Reserve | 11 | (242,110) | (442,315) |
| - Designated Funds | 12 | 5,672,755 | 2,626,178 |
| - Social Welfare Lump Sum Grant Reserve | 13(a) | 10,729,352 | 6,573,276 |
| - Social Welfare Provident Fund Reserve | 13(b) | 275,607 | 135,840 |
| - Social Welfare Subvention Reserve | 14 | 6,091,113 | 3,698,503 |
| | | <u>25,746,989</u> | <u>12,630,514</u> |

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

HONG KONG FAMILY WELFARE SOCIETY
(All amounts in Hong Kong dollars unless otherwise stated)

STATEMENT OF CHANGES IN OWN FUNDS

| | General Fund (note 10) | Capital Reserve (note 11) | Designated Funds (note 12) | Total |
|--|------------------------------|---------------------------------|----------------------------------|------------|
| Balance at 1st April 2017 | 55,370,849 | 2,151,339 | 29,767,118 | 87,289,306 |
| Comprehensive income Surplus/(deficit) for the year transferred from the statement of comprehensive income | 39,032 | (442,315) | 2,626,178 | 2,222,895 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income | 39,032 | (442,315) | 2,626,178 | 2,222,895 |
| Transfers | (900,000) | - | 900,000 | - |
| Balances at 31st March 2018 and 1st April 2018 | 54,509,881 | 1,709,024 | 33,293,296 | 89,512,201 |
| Comprehensive income Surplus/(deficit) for the year transferred from the statement of comprehensive income | 3,220,272 | (242,110) | 5,672,755 | 8,650,917 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income | 3,220,272 | (242,110) | 5,672,755 | 8,650,917 |
| Balance at 31st March 2019 | 57,730,153 | 1,466,914 | 38,966,051 | 98,163,118 |

The above statement of changes in funds should be read in conjunction with the accompanying notes.

HONG KONG FAMILY WELFARE SOCIETY
(All amounts in Hong Kong dollars unless otherwise stated)

STATEMENT OF CASH FLOWS

| | | Year ended 31st March | |
|--|---------|---------------------------|---------------------------|
| | Note | 2019 | 2018 |
| Cash flows from operating activities | | | |
| Cash generated from operations | 25(a) | 33,200,659 | 18,298,576 |
| Refund of prior years' surplus to SWD | 13 & 14 | (4,287,782) | (6,300,418) |
| Net cash inflow from operating activities | | <u>28,912,877</u> | <u>11,998,158</u> |
| Cash flows from investing activities | | | |
| Purchases of property, plant and equipment | 4 | (12,458,530) | (4,529,871) |
| Increase in bank deposits with original maturity over three months | | (421,782) | (256,600) |
| Interest received | | 589,140 | 318,440 |
| Net cash outflow from investing activities | | <u>(12,291,172)</u> | <u>(4,468,031)</u> |
| Net increase in cash and cash equivalents | | 16,621,705 | 7,530,127 |
| Cash and cash equivalents at beginning of the year | | <u>179,952,492</u> | <u>172,422,365</u> |
| Cash and cash equivalents at end of the year | 9 | <u><u>196,574,197</u></u> | <u><u>179,952,492</u></u> |

The above statement of cash flows should be read in conjunction with the accompanying notes.

HONG KONG FAMILY WELFARE SOCIETY
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

1 General information

The principal activity of Hong Kong Family Welfare Society (the “Society”) is to provide welfare services. The Society was incorporated under the Hong Kong Companies Ordinance in 1978 as a company limited by guarantee. The address of its registered office is Room 2010, 20th Floor, Southorn Centre, 130 Hennessy Road, Wanchai, Hong Kong.

Under the provisions of the Society’s Memorandum and Articles of Association, every member shall, in the event of the Society being wound up, contribute to the assets of the Society to the extent of HK\$10. At 31st March 2019, the Society had 117 (2018: 118) members.

These financial statements are presented in Hong Kong dollars, unless otherwise stated.

2 Summary of significant accounting policies

This note provides a list of significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of the Society have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) which term collectively includes all applicable individual HKFRS, Hong Kong Accounting Standards (“HKAS”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets through other comprehensive income (“FVOCI”) (2018: available-for-sales financial assets (“AFS”)) included in trust fund assets, which are carried at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Society’s accounting policies. The resulting accounting estimates will, by definition, seldom equal the related actual results. However, there are no estimates or assumptions used on these financial statements that the management expects will have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

- (a) New standards, amendments and interpretations to existing HKFRS (collectively, the “Amendments”) effective for the Society’s accounting year commencing on 1st April 2018.

The Society has applied the following Amendments for the first time for its annual reporting period commencing on 1 April 2018:

| | |
|--|--|
| Annual Improvements Project – HKFRS 1 and HKAS 28 (Amendment) | Annual improvements 2014-2016 cycle ¹ |
| HKFRS 9 | Financial instruments ¹ |
| HKFRS 15 | Revenue from contracts with customers ¹ |
| HK (IFRIC)-Int 22 | Foreign currency transactions and advance consideration ¹ |
| HK (IFRIC)-Int 23 | Uncertainty over income tax treatments ² |

The adoption of these Amendments did not have any material impact on the current period or any prior period and is not likely to affect future periods except for disclosure and reclassification set out in note 2.2.

The Society has not applied any Amendments that is not yet effective for the current accounting period.

HONG KONG FAMILY WELFARE SOCIETY

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

- (b) Amendments that are not yet effective and have not been early adopted by the Society

Certain Amendments have been published that are mandatory for the Society's reporting periods commencing on or after 1st April 2019. The following Amendments are relevant and applicable to the Society; however, they have not been early adopted in these financial statements:

| | |
|---|---|
| HKFRS 16 | Leases ¹ |
| HK(IFRIC) 23 | Uncertainty over income tax treatments ¹ |
| HKFRS 17 | Insurance contracts ² |
| Annual Improvements Projects – HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 (Amendment) | Annual improvements 2015-2017 cycle ¹ |

Note:

- (1) Effective for the Society's financial period beginning on 1st April 2019
(2) Effective for the Society's financial period beginning on 1st April 2020

The Society has already commenced an assessment of the impact of these Amendments. According to the preliminary assessment made by the Executive Committee, no significant impact on the financial performance and position of the Society is expected when they become effective except for HKFRS 16 discussed as below.

HKFRS 16 Leases

HKFRS 16 will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Society's operating leases. As at the reporting date, the Society has non-cancellable operating lease commitments of HK\$5,016,326 (note 27). However, the Society has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Society's surplus and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The new standard is mandatory for the Society's financial period beginning on 1st April 2019. At this stage, the Society does not intend to adopt the standard before its effective date.

The Society is currently assessing the impact of the adoption of other Amendments and is of the view that they would not have a significant impact on the Society's results of operations and financial position.

HONG KONG FAMILY WELFARE SOCIETY
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 “Financial Instruments” and HKFRS 15 “Revenue from Contracts with Customers” on the Society’s financial statements and also discloses the new accounting policies that have been applied from 1st April 2018, where they are different to those applied in prior periods.

(a) Impact on the financial statements

The Executive Committee of the Society consider that the changes in the Society’s accounting policies do not have material impacts on prior year financial statements except for the reclassification of the financial assets as mentioned in note 2.2(b) below.

(b) HKFRS 9 “Financial Instruments” – Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 “Financial Instruments” from 1st April 2018 only resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note (c) below. In accordance with the transitional provisions, comparative figures have not been restated.

Classification and measurement

On 1st April 2018 (the date of initial application of HKFRS 9), the Society’s management has assessed which business models apply to the financial assets held by the Society and has classified its financial instruments into the appropriate HKFRS 9 categories.

The impact resulting from adoption of HKFRS 9 on the Society’s financial assets is as follows:

| | HKAS 39 Carrying amount 31st March 2018 | Reclassification | HKFRS 9 Carrying amount 1st April 2018 |
|-------------------------------|---|------------------|--|
| Included in Trust fund assets | | | |
| - AFS | 57,916,144 | (57,916,144) | - |
| - FVOCI | - | 57,916,144 | 57,916,144 |

The changes on the classification and measurement models introduced by HKFRS 9 do not have any impact on the Society’s other existing financial assets and liabilities, as they are mainly comprised of loans and receivables and financial liabilities at amortised costs as determined under HKAS 39, which are similar to the financial assets and liabilities measured at amortised cost under HKFRS 9, and are expected to continuously be initially recognised at fair value and subsequently measured at amortised cost.

HONG KONG FAMILY WELFARE SOCIETY
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies (Continued)

(b) HKFRS 9 “Financial Instruments” – Impact of adoption (Continued)

The following table summarises the estimated impact of adoption of HKFRS 9 on the Society’s financial statements for the year ended 31st March 2018, by comparing the amounts reported under HKFRS 9 in these financial statements with estimates of the hypothetical amounts that would have been recognised under HKAS 39 if the superseded standard had continued to apply to 2018 instead of HKAS 39. The table shows only those line items impacted by the adoption of HKFRS 9:

| Line items in the balance sheet as at 31st March 2019 impacted by the adoption of HKFRS 9 | Amounts reported in accordance with HKFRS 9 | Hypothetical amounts under HKAS 39 | Difference: estimated impact of adoption of HKFRS 9 in 2018 |
|---|---|------------------------------------|---|
| Included in Trust fund assets | | | |
| - AFS | - | 55,939,217 | 55,939,217 |
| - FVOCI | 55,939,217 | - | (55,939,217) |

Impairment of financial assets

The Society was required to revise its impairment methodology under HKFRS 9 for each of the classes of assets. The Society applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all receivables. The Executive Committee consider that there is no material impact of the change in impairment methodology on the Society’s general fund and reserves.

(c) HKFRS 9 “Financial Instruments” – Accounting policies applied from 1st April 2018

Classification

From 1st April 2018, the Society classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through trust funds, and
- those to be measured at amortised cost.

The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in trust funds. For investments in equity instruments that are not held for trading, this will depend on whether the Society has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Society reclassifies debt investments when and only when its business model for managing those assets changes.

HONG KONG FAMILY WELFARE SOCIETY
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies (Continued)

- (c) HKFRS 9 “Financial Instruments” – Accounting policies applied from 1st April 2018
(Continued)

Recognition and derecognition

Regular way purchases and sale of financial assets are recognised on trade-date, the date on which the Society commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Society has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Society measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (“FVPL”), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in comprehensive income.

- (i) Debt instruments

Subsequent measurement of debt instruments depends on the Society’s business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Society classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in comprehensive income and presented in other gains/(losses). Impairment losses are presented as separate line item in the statement of comprehensive income.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through trust funds.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in trust funds in the period in which it arises.

HONG KONG FAMILY WELFARE SOCIETY
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies (Continued)

(c) HKFRS 9 “Financial Instruments” – Accounting policies applied from 1st April 2018
(Continued)

(ii) Equity instruments

The Society subsequently measures all equity investments at fair value. Where the Society’s management has elected to present fair value gains and losses on equity investments in trust funds, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in trust funds when the Society’s right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in trust funds.

Impairment

From 1st April 2018, the Society assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For receivables from Lotteries Fund, the Society applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For other financial assets at amortised cost, including deposits and other receivables, the Society has assessed the expected credit losses for these receivables are not material under the 12 months expected losses method.

(d) HKFRS 9 “Financial Instruments” – Accounting policies applied until 31st March 2018

Classification

The Society classifies its financial assets in the following categories:

- loans and receivables; and
- AFS.

The classification determined on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition. See note 5 for details about each type of financial assets.

Recognition and derecognition

Regular way purchases and sale of financial assets are recognised on trade-date, the date on which the Society commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Society has transferred substantially all the risks and rewards of ownership.

HONG KONG FAMILY WELFARE SOCIETY
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies (Continued)

- (d) HKFRS 9 “Financial Instruments” – Accounting policies applied until 31st March 2018 (Continued)

Measurement

At initial recognition, the Society measures loans and receivables at fair values plus transaction costs that are directly attributable to the acquisition of the financial asset.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets are subsequently carried at fair value. Changes in the fair value of available-for-sale financial assets are recognised in trust funds.

Dividends on available-for-sale equity instruments are recognised in trust funds when the Society’s right to receive payments is established.

Details on how the fair value of financial instruments is determined are disclosed in note 3.3.

Impairment

The Society assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated.

Assets carried at amortised cost

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor’s credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

HONG KONG FAMILY WELFARE SOCIETY

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies (Continued)

- (d) HKFRS 9 “Financial Instruments” – Accounting policies applied until 31st March 2018
(Continued)

Assets classified as available-for-sale

It there is objective evidence of impairment of available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in trust funds.

Impairment losses on equity instruments that were recognised in trust funds are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in trust funds, the impairment loss is reversed through trust funds.

- (e) HKFRS 15 “Revenue from Contracts with Customers” – Impact of adoption

The Society has adopted HKFRS 15 from 1st April 2018 which resulted in changes in accounting policies. The committee members of the Society consider the changes on the Society’s revenue recognition do not have a material impact on the amounts recognised in the financial statements.

- (f) HKFRS 15 “Revenue from Contracts with Customers” – Accounting policies applied from 1st April 2018

The following describes the Society’s updated revenue from contracts with customers’ policy to reflect the adoption of HKFRS 15:

Contract assets and liabilities

Upon entering into a contract with a customer, the Society obtains rights to receive consideration from the customer and assumes performance obligations to provide services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining rights exceeds the measure of the remaining performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

Revenue recognition

- (i) Home help fees

Home help fees are recognised when the services are rendered. The revenue is recognised at point in time.

- (ii) Subsidiary services income and other project income

Subsidiary services income and other project income are recognised on an accruals basis. The revenue is recognised at point in time.

HONG KONG FAMILY WELFARE SOCIETY
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Society are measured using the currency of the primary economic environment in which the Society operates ("the functional currency"). The financial statements are presented in Hong Kong dollars, which is the Society's functional and presentation currency.

(b) Transactions and balances

Foreign currencies translations are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in the statement of comprehensive income

2.4 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Society and that the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the statement of comprehensive income during the reporting period in which they are incurred.

Depreciation of leasehold improvements is calculated to write off their cost less impairment losses over the unexpired periods of the leases or their expected useful lives of 5 years to the Society, whichever is shorter. Depreciation of other property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

| | |
|-----------------------------------|-------------|
| Furniture, fixtures and equipment | 3 - 5 years |
| Air-conditioners | 3 years |
| Motor vehicles | 5 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.5).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

2.5 Impairment of non-financial assets

Non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or group of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

HONG KONG FAMILY WELFARE SOCIETY
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.6 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet where the Society currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The Society has also entered into arrangements that do not meet the criteria for offsetting but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of a contract.

2.7 Receivables

Receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Society holds the receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less provision for impairment.

2.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdraft, if any.

2.9 General Fund

General Fund is used to finance the subvented and unsubvented activities of the Society. All the income and expenditure of this fund are accounted for in the statement of comprehensive income. Any surpluses/deficits are transferred from the statement of comprehensive income to this fund.

2.10 Capital Reserve

Capital Reserve represents the fund set aside from General Fund for the purpose of funding any unsubvented capital expenditure which may be required for the development of the Society. The expenditure relating to this reserve is directly dealt with in the statement of comprehensive income and then transferred from the statement of comprehensive income to this reserve.

2.11 Designated Funds

Designated Funds represent funds set aside from the General Fund for the designated unsubvented activities. The income and expenditure relating to these designated funds are directly dealt with in the statement of comprehensive income. Any net surpluses or deficits relating to these funds are transferred from the statement of comprehensive income to these Designated Funds.

Upon the completion of the activities of the respective Designated Funds, the unused or deficient balances are transferred to General Fund.

2.12 Social Welfare Lump Sum Grant Reserves and Social Welfare Subvention Reserve

Lump sum grant was implemented by the SWD to cover certain approved expenditures including staff costs, provident fund contributions and other expenditure. Any unspent lump sum grant for the year is transferred from the statement of comprehensive income to the respective designated lump sum grant reserves included in Social Welfare Lump Sum Grant reserves and Social Welfare Subvention Reserve for the Society's future use.

HONG KONG FAMILY WELFARE SOCIETY
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.13 Trust funds

Trust funds are established from donations and are earmarked for specific purposes. Any surpluses need to be refunded to the donors and cannot be used by the Society on other purposes without approval from the donors. All the income and expenditure of trust funds are directly credited and debited to the respective fund account.

2.14 Payables

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

2.15 Provisions

Provisions are recognised when the Society has a present legal or constructive obligation where, as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2.16 Government grants and donations from third parties and donations from fund raising activities

(a) Government grants and donations from third parties and donations

Government grants and donations from third parties are recognised when there is reasonable assurance that the grant or donation will be received and the Society will comply with all attached conditions.

Government grants and donations relating to future costs are deferred and recognised in the statement of comprehensive income over the period necessary to match with the related costs which they are intended to compensate.

Government grants and donations relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are recognised in the statement of comprehensive income on a straight-line basis over the expected lives of the related assets.

(b) Donations from fund raising activities

Donations from fund raising activities for general purposes are recognised when received.

2.17 Dividend

Dividend are recognised when the right to receive payment is established.

HONG KONG FAMILY WELFARE SOCIETY
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.18 Interest income

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in profit or loss as part of other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.19 Employee benefits

(a) Pension obligations

The Society operates a defined contribution retirement scheme under the Occupational Retirement Scheme Ordinance ("ORSO Scheme") and a mandatory provident fund scheme under the Mandatory Provident Fund Schemes Ordinance ("MPF Scheme") in Hong Kong. The assets of the schemes are held in separate trustee-administered funds. The Society has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due and, for the ORSO Scheme, are reduced by contributions forfeited by those employees who leave the ORSO Scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating annual leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of the employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

Employee entitlements to sick leave and maternity or paternity leave are not recognised until the time of leave.

(c) Long service payments

The Society's employees have to complete a required number of years of service to the Society in order to be eligible for long service payment under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Society is liable to make such payments if such termination meets the circumstances specified in the Hong Kong Employment Ordinance.

A provision is recognised in respect of the probable future long service payments expected to be made. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Society up to the balance sheet date.

(d) Discretionary reward plans

The expected cost of discretionary reward payments is recognised as a liability and an expense when the Society has a present legal or constructive obligation as a result of services rendered by the employees and a reliable estimate of the obligation can be made.

Liabilities for discretionary reward plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

HONG KONG FAMILY WELFARE SOCIETY
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.20 Operating leases (as the lessee)

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Society as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

3 Financial and fund risks management

3.1 Financial risk factors

The Society's activities expose it to a variety of financial risks, including foreign exchange risk, credit risk, liquidity risk, cash flow interest rate risk and price risk. The Society's overall risk management procedures focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the Society's financial performance.

(a) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Society's functional currency. The Society has minimal exposure to foreign currency exchange rate risk as transactions are mainly denominated in Hong Kong dollars. Accordingly, no sensitivity analysis is performed.

(b) Credit risk

The Society has policies in place for the controlling and monitoring of its credit risk. The credit risk of the Society is attributable to trust fund assets and deposits and other receivables, fixed deposits with original maturity over three months and cash and cash equivalents.

In the opinion of the Executive Committee, the credit risk of deposits and other receivables is limited as the counterparties are either the SWD or reputable organisations. Besides, the Executive Committee has closely monitored the receivable balances on an ongoing bases so as to minimise collection exposure.

The Society's financial assets are subject to the expected credit loss model. While cash at banks are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial as they are mainly deposited in reputable and creditworthy banks.

The Society apply HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all receivables.

To measure the expected credit loss, receivables have been grouped on shared credit risk characteristics and the day past due.

The expected loss rates are based on the payment profiles of sales and the corresponding historical credit losses experienced over a period of past 12 months. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the debtors to settle the receivables.

On this basis, the loss allowance as at 31st March 2018 and 1st April 2018 (on adoption of HKFRS 9) was considered immaterial.

HONG KONG FAMILY WELFARE SOCIETY
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

3 Financial and fund risks management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

In prior year, the impairment of receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. The Society considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or late payments (more than 90 days overdue).

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

For other financial assets at amortised cost, no loss allowance provision was determined as at 31st March 2019 as the Executive Committee considered that the expected credit loss was immaterial.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and bank balances and the availability of funding to meet its financial commitments. The Executive Committee is of the opinion that the Society does not have significant liquidity risk.

The table below analyses the Society's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

| | 2019 | 2018 |
|-----------------------------|------------------|------------------|
| Less than 1 year | | |
| Payables (note 17) | 3,836,916 | 2,084,073 |
| Home help deposits received | 94,000 | 82,500 |
| | <u>3,930,916</u> | <u>2,166,573</u> |

(d) Cash flow interest rate risk

Other than bank deposits, the Society has no other significant interest-bearing assets and liabilities. The Society's income and operating cash flows are substantially independent of changes in market interest rates.

At 31st March 2019, if interest rates on bank deposits of the Society and Trust fund assets had been 50 basis points (2018: 50 basis points) higher/lower with all other variables held constant, surplus for the year would have been approximately HK\$1,059,769 (2018: HK\$983,000) higher/lower and trust funds would have been approximately HK\$39,451 (2018: HK\$39,000) higher/lower, as a result of higher/lower interest income on the bank deposits.

HONG KONG FAMILY WELFARE SOCIETY
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

3 Financial and fund risks management (Continued)

3.1 Financial risk factors (Continued)

(e) Price risk

The investments held by the Society, that are classified on the balance sheet as FVOCI (2018: AFS) and included in trust fund assets, are subjected to equity securities price risk.

At 31st March 2019, if equity price of the investments had increased/decreased by 5% (2018: 5%) with all other variables held constant, trust fund assets and trust funds would have been increased/decreased by approximately HK\$2,797,000 (2018: HK\$3,050,000), as a result of higher/lower fair value of FVOCI (2018: AFS).

3.2 Fund risk management

The Society's objectives when managing own funds are to safeguard the Society's ability to continue as a going concern and to have sufficient funding for its future operations. The Society's overall strategy remains unchanged from prior year.

The own funds of the Society comprise General Fund, Capital Reserve and Designated Funds.

3.3 Fair value estimation

(a) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Society has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

| | 2019 | 2018 |
|--|------------|------------|
| <u>Recurring fair value measurements</u> | | |
| Level 1 | | |
| FVOCI (2018: AFS) included in Trust fund assets (note 6) | 55,939,217 | 57,916,144 |

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Society is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(b) Valuation technique used to determine fair values

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Society is the current bid price. These instruments are included in level 1.

HONG KONG FAMILY WELFARE SOCIETY
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

3 Financial and fund risks management (Continued)

3.3 Fair value estimation (Continued)

- (c) The carrying value less impairment provision of receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Society for similar financial instruments.

3.4 Offsetting financial assets and financial liabilities

No disclosure of the offsetting of financial assets and financial liabilities is made as there are no netting arrangements in place during the year.

HONG KONG FAMILY WELFARE SOCIETY

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

4 Property, plant and equipment

At 1st April 2017

| Cost | Leasehold improvements | Furniture, fixtures and equipment | Air-conditioners | Motor vehicles | Total |
|--------------------------|----------------------------|-----------------------------------|--------------------------|---------------------------|----------------------------|
| Accumulated depreciation | 42,164,648 (32,645,475) | 14,084,501 (11,115,648) | 1,830,156 (1,290,081) | 14,481,392 (8,545,989) | 72,560,697 (53,597,193) |
| Net book amount | 9,519,173 | 2,968,853 | 540,075 | 5,935,403 | 18,963,504 |

Year ended 31st March 2018

| | | | | | |
|----------------------------|-------------|-------------|-----------|-------------|-------------|
| Opening net book amount | 9,519,173 | 2,968,853 | 540,075 | 5,935,403 | 18,963,504 |
| Additions | 1,760,117 | 2,679,846 | 89,908 | - | 4,529,871 |
| Disposals (note 25(b)) | - | (16,206) | - | - | (16,206) |
| - Cost | - | (973,894) | (9,900) | - | (983,794) |
| - Accumulated depreciation | - | 957,688 | 9,900 | - | 967,588 |
| Depreciation (note 20) | (4,119,420) | (1,641,444) | (332,794) | (2,124,437) | (8,218,095) |
| Closing net book amount | 7,159,870 | 3,991,049 | 297,189 | 3,810,966 | 15,259,074 |

At 31st March 2018

| | | | | | |
|--------------------------|--------------|--------------|-------------|--------------|--------------|
| Cost | 43,924,765 | 15,790,453 | 1,910,164 | 14,481,392 | 76,106,774 |
| Accumulated depreciation | (36,764,895) | (11,799,404) | (1,612,975) | (10,670,426) | (60,847,700) |
| Net book amount | 7,159,870 | 3,991,049 | 297,189 | 3,810,966 | 15,259,074 |

HONG KONG FAMILY WELFARE SOCIETY

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

4 Property, plant and equipment (Continued)

Year ended 31st March 2019

| | Leasehold improvements | Furniture, fixtures and equipment | Air- conditioners | Motor vehicles | Total |
|----------------------------|---------------------------|---|----------------------|-------------------|-------------|
| Opening net book amount | 7,159,870 | 3,991,049 | 297,189 | 3,810,966 | 15,259,074 |
| Additions | 9,854,635 | 1,432,245 | 135,375 | 1,036,275 | 12,458,530 |
| Disposals (note 25(b)) | (25,337) | (5,952) | - | - | (30,389) |
| - Cost | (82,700) | (715,042) | (87,830) | - | (885,572) |
| - Accumulated depreciation | 57,363 | 709,990 | 87,830 | - | 855,183 |
| Depreciation (note 20) | (3,459,718) | (1,803,660) | (238,237) | (1,896,509) | (7,398,124) |
| Closing net book amount | 13,529,450 | 3,614,582 | 194,327 | 2,950,732 | 20,289,091 |

At 31st March 2019

| | | | | | |
|--------------------------|--------------|--------------|-------------|--------------|--------------|
| Cost | 53,696,700 | 16,507,656 | 1,957,709 | 15,517,667 | 87,679,732 |
| Accumulated depreciation | (40,167,250) | (12,893,074) | (1,763,382) | (12,566,935) | (67,390,641) |
| Net book amount | 13,529,450 | 3,614,582 | 194,327 | 2,950,732 | 20,289,091 |

Depreciation expense of HK\$7,398,124 (2018: HK\$8,218,095) has been charged in other expenses.

HONG KONG FAMILY WELFARE SOCIETY
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

5 Financial instruments by category

The Society's holds the following financial instruments:

| | 2019 | | | | 2018 | | | |
|--|--|------------|-----|-------------|--|-------|------------|-------------|
| | Financial assets at amortised cost | FVOCI | AFS | Total | Financial assets at amortised cost | FVOCI | AFS | Total |
| Financial assets | | | | | | | | |
| Trust fund assets | | | | | | | | |
| (note 6) | 7,890,192 | 55,939,217 | - | 63,829,409 | 7,838,336 | - | 57,916,144 | 65,754,480 |
| Receivables from Lotteries Fund (note 7) | 10,165,005 | - | - | 10,165,005 | - | - | - | - |
| Deposits and other receivables (note 8) | 13,790,040 | - | - | 13,790,040 | 10,294,630 | - | - | 10,294,630 |
| Fixed deposits with original maturity over three months (note 9) | 24,223,240 | - | - | 24,223,240 | 23,801,458 | - | - | 23,801,458 |
| Cash and cash equivalents (note 9) | 196,574,197 | - | - | 196,574,197 | 179,952,492 | - | - | 179,952,492 |
| | 252,642,674 | 55,939,217 | - | 308,581,891 | 221,886,916 | - | 57,916,144 | 279,803,060 |

HONG KONG FAMILY WELFARE SOCIETY
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

5 Financial instruments by category (Continued)

| | 2019 | 2018 |
|--|------------------|------------------|
| Financial liabilities at amortised cost | | |
| Payables (note 17) | 3,836,916 | 2,084,073 |
| Home help deposits received | 94,000 | 82,500 |
| | <u>3,930,916</u> | <u>2,166,573</u> |

The Society's exposure to various risks associated with the financial instruments is discussed in note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

6 Trust fund assets

| | 2019 | 2018 |
|---|-------------------|-------------------|
| FVOCI (2018: AFS) | | |
| Equity securities, at market value | | |
| - listed in Hong Kong | 50,100,217 | 51,935,144 |
| - listed outside Hong Kong | 5,839,000 | 5,981,000 |
| | <u>55,939,217</u> | <u>57,916,144</u> |
| Bank balances and cash | 7,890,192 | 7,838,336 |
| | <u>63,829,409</u> | <u>65,754,480</u> |
| Total trust fund assets | | |
| | <u>63,829,409</u> | <u>65,754,480</u> |
| Represented by: | | |
| Investment costs | 1,093,572 | 1,093,572 |
| Fixed deposits with original maturity over three months | 6,435,609 | 6,353,020 |
| Other bank balances and cash | 1,454,583 | 1,485,316 |
| Revaluation surplus on FVOCI (2018: AFS) | 54,845,645 | 56,822,572 |
| | <u>63,829,409</u> | <u>65,754,480</u> |

(a) Classification of financial assets at FVOCI

FVOCI comprise equity securities which are not held for trading and which the Society has irrevocably elected at initial recognition to recognise in this category.

(b) Equity investments at FVOCI

| | 2019 | 2018 |
|---|-------------------|----------|
| Non-current assets | | |
| - Listed equity securities, at market value | <u>55,939,217</u> | <u>-</u> |

In prior financial year, the Society had designated equity investments as available-for-sale where management intended to hold them for the medium to long-term. Note 2.2 sets out the prior year and current year accounting policies, and explains the change of accounting policy and the reclassification of equity investments from AFS to FVOCI.

HONG KONG FAMILY WELFARE SOCIETY
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

6 Trust fund assets (Continued)

(c) Information about the methods and assumptions used in determining fair value is provided in note 3.3. The fair value of the financial assets is determined by the Executive Committee by reference to the market value as at the balance sheet date. The Executive Committee are of the opinion that the fair value of financial assets at FVOCI/AFS approximates to their investment costs as at 31st March 2019 and 2018.

(d) Financial asset previously classified as AFS (2018)

| | 2019 | 2018 |
|---|------|------------|
| Non-current assets | | |
| - Listed equity securities, at market value | - | 57,916,144 |

Classification of financial assets as available-for-sale

Investments were designated as AFS if they did not have fixed maturities and fixed or determinable payments, and management intended to hold them for the medium to long-term. Financial assets that were not classified into any of the other categories were also included in the available-for-sale category. The financial assets were presented as non-current assets unless they matured, or management intended to dispose of them within 12 months of the end of the reporting period.

Impairment indicators for AFS

A security was considered to be impaired if there had been a significant or prolonged decline in the fair value below its cost. See note 2.2 for further details about the Society's previous impairment policies for available-for-sale financial assets.

Trust fund assets are denominated in the following currencies:

| | 2019 | 2018 |
|-----------------------|-------------------|-------------------|
| Hong Kong dollars | 57,990,409 | 59,773,480 |
| United States dollars | 5,839,000 | 5,981,000 |
| | <u>63,829,409</u> | <u>65,754,480</u> |

HONG KONG FAMILY WELFARE SOCIETY
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

7 Receivables from Lotteries Fund

| | IFSC West Kowloon Centre Fitting-out Works | VIVA Cho Yiu Centre Furniture & Equipment | IHC East Kowloon (Shun On) Centre Motor Vehicle | IFSC Kwai Chung Centre Kwai Chung (South) Fitting-out Works for Reprovisioning | IFSC Kwai Chung Centre Kwai Chung (South) Furniture & Equipment | Kowloon City Centre for Active Ageing Fitting-out Works | IFSC East Kowloon Centre Yau Tong Fitting-out Works for Reprovisioning | Kowloon City Centre for Active Ageing Furniture & Equipment | Total |
|--|--|---|---|--|---|---|--|---|------------|
| At 1st April 2017 | 431,322 | 88,058 | - | - | - | - | - | - | 519,380 |
| Add: Expenditure incurred during the year | - | 97,910 | - | - | - | - | - | - | 97,910 |
| Less: Funds received during the year | (431,322) | (185,968) | - | - | - | - | - | - | (617,290) |
| At 31st March 2018 and 1st April 2018 | - | - | - | - | - | - | - | - | - |
| Add: Expenditure incurred during the year | - | - | 1,076,200 | 5,938,831 | 385,000 | 2,590,974 | 145,000 | 29,000 | 10,165,005 |
| At 31st March 2019 | - | - | 1,076,200 | 5,938,831 | 385,000 | 2,590,974 | 145,000 | 29,000 | 10,165,005 |

HONG KONG FAMILY WELFARE SOCIETY
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

8 Deposits, prepayments and other receivables

| | 2019 | 2018 |
|----------------------------|-------------------|-------------------|
| Utility and other deposits | 1,265,519 | 1,124,354 |
| Other receivables | 12,524,521 | 9,170,276 |
| | <u>13,790,040</u> | <u>10,294,630</u> |
| Financial assets | 13,790,040 | 10,294,630 |
| Prepayments | 1,001,713 | 1,242,690 |
| | <u>14,791,753</u> | <u>11,537,320</u> |

As at 31st March 2019, the Executive Committee considered that the expected credit loss for deposits and other receivables was immaterial thus no loss allowance was made.

The balances do not contain impaired assets. The Society does not hold any collateral as security.

The carrying amounts of deposits and other receivables approximate their fair values as at 31st March 2019 and 2018, and are denominated in Hong Kong dollars.

9 Fixed deposits with original maturity over three months and cash and cash equivalents

| | 2019 | 2018 |
|---|--------------------|--------------------|
| Fixed deposits with original maturity over three months | 24,223,240 | 23,801,458 |
| Cash and cash equivalents | | |
| - Cash at banks and in hand | 196,574,197 | 179,952,492 |
| | <u>220,797,437</u> | <u>203,753,950</u> |
| Maximum exposure to credit risk | <u>220,538,037</u> | <u>203,506,550</u> |

The carrying amounts of fixed deposits with original maturity over three months and cash and cash equivalents are denominated in Hong Kong dollars.

Analysis of the balances of cash and cash equivalents can be summarised by reserves and working capital as follows:

| | Note | 2019 | 2018 |
|---|-------------|--------------------|--------------------|
| Social Welfare Lump Sum Grant reserves assets | | | |
| - Lump Sum Grant Reserve assets | 13(a) | 79,401,585 | 70,155,052 |
| - Provident Fund Reserve assets | 13(b) | 17,104,678 | 17,521,418 |
| - Subvented Employee Benefit Reserve assets | 13(a) & (c) | 15,430,809 | 13,966,936 |
| Social Welfare Subvention Reserve assets | 14 | 8,610,811 | 6,096,187 |
| Working capital | | 76,026,314 | 72,212,899 |
| | | <u>196,574,197</u> | <u>179,952,492</u> |

HONG KONG FAMILY WELFARE SOCIETY
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

10 General Fund

| | 2019 | 2018 |
|--|-------------------|-------------------|
| At 1st April | 54,509,881 | 55,370,849 |
| Surplus transferred from the statement of comprehensive income | 3,220,272 | 39,032 |
| Transfer to Designated Funds (note 12) | - | (900,000) |
| At 31st March | <u>57,730,153</u> | <u>54,509,881</u> |

11 Capital Reserve

| | 2019 | 2018 |
|--|------------------|------------------|
| At 1st April | 1,709,024 | 2,151,339 |
| Deficit transferred from the statement of comprehensive income | (242,110) | (442,315) |
| At 31st March | <u>1,466,914</u> | <u>1,709,024</u> |

HONG KONG FAMILY WELFARE SOCIETY

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

12

Designated Funds

| | P. S. Cassidy and Sir Douglas Clague | Charitable Donation (note a) | Specific Projects (note b) | Education Sponsorship (note c) | Carer Support and Elderly Service (note d) | Staff Welfare Fund (note e) | Family Psychiatric Consultation Service (note f) | HOCC Education Grant (note g) | Innovative Services of Love for Family (note h) | The Zonta White House (note i) | Family Emergency Assistance Relief Grant (note j) | Others (note k) | Total |
|--|--|------------------------------------|----------------------------------|--------------------------------------|---|--------------------------------------|--|--|---|---|---|--------------------|-------|
| At 1st April 2017 | 24,059,300 | (70,802) | 313,845 | 2,773,852 | (207,537) | 306,372 | 53,130 | 1,205,686 | 996,547 | (75,780) | 412,595 | 29,767,118 | |
| Surplus/(deficit) transferred from the statement of comprehensive income | 1,336,708 | (3,167) | 2,592 | (388,495) | (368,316) | (250,147) | (50,311) | (108,994) | 574,623 | 1,812,611 | 69,074 | 2,626,178 | |
| Transfer of account | - | - | - | 314,091 | 900,000 | - | - | - | - | - | (314,091) | 900,000 | |
| At 31st March 2018 and 1st April 2018 | 25,396,008 | (73,969) | 316,437 | 2,699,448 | 324,147 | 56,225 | 2,819 | 1,096,692 | 1,571,170 | 1,736,831 | 167,488 | 33,293,296 | |
| Surplus/(deficit) transferred from the statement of comprehensive income | 888,480 | - | 3,097 | (3,728) | (400,242) | (34,714) | 18,115 | 2,932,182 | (212,743) | 689,917 | 1,792,391 | 5,672,755 | |
| Transfer of account | - | - | - | 410,594 | - | - | - | 335,775 | 1,007,327 | - | (1,753,696) | - | |
| At 31st March 2019 | 26,284,488 | (73,969) | 319,534 | 3,106,314 | (76,095) | 21,511 | 20,934 | 4,364,649 | 2,365,754 | 2,426,748 | 206,183 | 38,966,051 | |

HONG KONG FAMILY WELFARE SOCIETY
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

12 Designated Funds (Continued)

- (a) P. S. Cassidy and Sir Douglas Clague Charitable Donation
Represent dividend and interest income from the P. S. Cassidy and Sir Douglas Clague Charitable Donation, and is designated for providing the improvement of services.
- (b) Specific Projects
Represent funds designated for office automation purposes.
- (c) Education Sponsorship
Represent funds designated for providing assistance to students.
- (d) Carer Support and Elderly Service
Represent funds designated to support and review services for carers and elderly.
- (e) Staff Welfare Fund
Represent funds designated for staff welfare and training purposes.
- (f) Family Psychiatric Consultation Service
Represent funds designated to provide psychiatric consultation service for families.
- (g) HOCC Education Grant
Represent funds designated to provide financial assistance to the deprived children in their education ventures.
- (h) Innovative Services of Love for Family
Represent funds designated to develop the innovative services to meet the service gaps and promote a caring community for family service, youth service and carers support service.
- (i) The Zonta White House
Represent funds designated for the refurbishment and recurrent costs of the Family Retreat Centre.
- (j) Family Emergency Assistance Relief Grant
Represent funds designated to provide emergency financial assistance to the families that are suffering from crisis and assist them to reconstruct normal family functions.
- (k) Others
Represent funds mainly designated to provide family mental health services.

HONG KONG FAMILY WELFARE SOCIETY
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

13 Social Welfare Lump Sum Grant Reserves

| | Lump Sum Grant Reserve (note a) | Provident Fund Reserve (note b) | Subvented Employee Benefit Reserve (notes a & c) | Total |
|--|--|--|--|-------------|
| At 1st April 2017 | 64,294,563 | 18,261,435 | 13,228,710 | 95,784,708 |
| Surplus transferred from the statement of comprehensive income | 6,573,276 | 135,840 | - | 6,709,116 |
| Transfer | (712,787) | - | 738,226 | 25,439 |
| Refund of prior years' surplus to SWD | - | (875,857) | - | (875,857) |
| At 31st March 2018 and 1st April 2018 | 70,155,052 | 17,521,418 | 13,966,936 | 101,643,406 |
| Surplus transferred from the statement of comprehensive income | 10,729,352 | 275,607 | - | 11,004,959 |
| Transfer | (1,482,819) | - | 1,463,873 | (18,946) |
| Refund of prior years' surplus to SWD | - | (708,344) | - | (708,344) |
| Adjustment of prior years' clawback | - | 15,997 | - | 15,997 |
| At 31st March 2019 | 79,401,585 | 17,104,678 | 15,430,809 | 111,937,072 |

- (a) These reserves represent the unspent lump sum grants which according to Rule 2.33 of the "Social Welfare Services Lump Sum Grant Manual" must be kept in a separate interest-bearing account and is capped at 25% of the Society's relevant annual lump sum grant operating expenditure. These reserves can be used at the discretion of the Society subject to these reserves must be used on Funding and Service Agreement activities and the related support services, and any amount above the 25% cap needs to be refunded to the SWD in the following financial year. However, with reference to a letter from SWD dated 1st November 2007, the cumulative Lump Sum Grant Reserve and Subvented Employee Benefit Reserve as at 31st March 2008 are not subject to claw back. As at 31st March 2019, as the cap has not been exceeded, no amount is refundable (2018: Nil).
- (b) Provident Fund Reserve can only be used for provident fund commitments in respect of Funding and Service Agreements activities and the related support services.
- (c) Subvented Employee Benefit Reserve is represented by:

| | 2019 | 2018 |
|--|-------------------|-------------------|
| Employee entitlements to unutilised annual leave | 12,945,318 | 12,590,852 |
| Employee entitlements to long service payments | 2,485,491 | 1,376,084 |
| | <u>15,430,809</u> | <u>13,966,936</u> |

Approximately 74% (2018: 76%) of the Society's employee benefits are subsidised by the SWD. The Executive Committee of the Society decided to support the employee entitlements to unutilised annual leave and long service payments as a result of services rendered by the subvented employees up to the balance sheet date by transferring the estimated amount from the unspent Lump Sum Grant Reserve to the Subvented Employee Benefit Reserve and Social Welfare Subvention Reserve.

HONG KONG FAMILY WELFARE SOCIETY
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

14 Social Welfare Subvention Reserve

| | Central items reserve | Rent and rates reserve | Interest received | Total |
|--|-----------------------------|------------------------------|----------------------|-------------|
| At 1st April 2017 | 7,943,218 | (227,000) | 131,466 | 7,847,684 |
| Surplus/(deficit) transferred from the statement of comprehensive income | 3,491,603 | 206,900 | - | 3,698,503 |
| Transfer to Social Welfare Lump Sum Grant Reserve | (25,439) | - | - | (25,439) |
| Refund of prior years' surplus to SWD | (5,376,618) | (47,943) | - | (5,424,561) |
| At 31st March 2018 and 1st April 2018 | 6,032,764 | (68,043) | 131,466 | 6,096,187 |
| Surplus transferred from the statement of comprehensive income | 6,224,421 | (133,308) | - | 6,091,113 |
| Transfer from Social Welfare Lump Sum Grant Reserve | 18,946 | - | - | 18,946 |
| Refund of prior years' surplus to SWD | (3,581,222) | (14,213) | - | (3,595,435) |
| At 31st March 2019 | 8,694,909 | (215,564) | 131,466 | 8,610,811 |

These reserves cannot be used without the prior approval of the Executive Committee of Social Welfare.

HONG KONG FAMILY WELFARE SOCIETY
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

15 Trust Funds

| | The Sir Robert Ho Tung Charitable Fund (note a) | Arthur Edmondson Quinn Memorial Trust (note b) | P.S. Cassidy and Sir Douglas Clague Charitable Donation (note c) | Benefactors Fund (note d) | Individual sponsorships (note e) | Others (note e) | Total |
|---|--|---|--|---------------------------------|--|--------------------|-------------|
| At 1st April 2017 | 128,932 | 1,565,916 | 44,664,638 | 376,962 | 13,945,980 | 1,298,474 | 61,980,902 |
| Funds entrusted | - | - | - | 197,698 | 6,952,589 | - | 7,150,287 |
| Bank interest | - | 5,187 | 51,842 | 63 | 5,560 | - | 62,652 |
| Dividends from listed investments | - | 17,253 | 1,284,866 | - | 178,888 | - | 1,481,007 |
| Utilised during the year | - | - | - | (99,360) | (6,908,869) | (4,588) | (7,012,817) |
| Income transferred to the statement of comprehensive income | - | - | (1,336,708) | - | - | - | (1,336,708) |
| Revaluation surplus | - | 22,268 | 3,530,017 | - | (123,128) | - | 3,429,157 |
| At 31st March 2018 and 1st April 2018 | 128,932 | 1,610,624 | 48,194,655 | 475,363 | 14,051,020 | 1,293,886 | 65,754,480 |
| Funds entrusted | - | - | - | 19,000 | 2,625,989 | - | 2,644,989 |
| Bank interest | - | 6,512 | 61,942 | 193 | 15,723 | - | 84,370 |
| Dividends from listed investments | - | 18,852 | 1,403,032 | - | 197,591 | - | 1,619,475 |
| Utilised during the year | - | - | - | (174,813) | (2,654,232) | (2,959) | (2,832,004) |
| Income transferred to the statement of comprehensive income | - | - | (1,464,974) | - | - | - | (1,464,974) |
| Revaluation deficit | - | 173,292 | (2,243,655) | - | 93,436 | - | (1,976,927) |
| At 31st March 2019 | 128,932 | 1,809,280 | 45,951,000 | 319,743 | 14,329,527 | 1,290,927 | 63,829,409 |

The assets of the trust funds are set out in note 6.

HONG KONG FAMILY WELFARE SOCIETY

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

15 Trust Funds (Continued)

(a) The Sir Robert Ho Tung Charitable Fund

Represent funds available for specific purpose on the recommendation of the SWD.

(b) Arthur Edmondson Quinn Memorial Trust

Represent funds available for further or specialist training to staff.

(c) P.S. Cassidy and Sir Douglas Clague Charitable Donation

Represent the capital portion of the fund. According to the trust deed, the Society has to maintain the capital portion of the fund and can apply the income derived from the fund for charitable purposes of the Society. Accordingly, the interest income and dividend income derived from the fund are transferred to the statement of comprehensive income.

(d) Benefactors Fund

Represent donations received for providing assistance to needy families and individuals.

(e) Individual sponsorships and others

Represent funds held in trust for use on behalf of clients or other designated purposes.

HONG KONG FAMILY WELFARE SOCIETY

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

16 Deferred income

| | Lotteries Fund Block Grant Reserve (note a) | Deferred income on property, plant and equipment (note b) | SWDF (note c) | Deferred income on projects | Total |
|---|---|--|------------------|-----------------------------------|--------------------|
| <u>Year ended 31st March 2018</u> | | | | | |
| Allocation from SWD during the year | 3,952,000 | - | 2,448,578 | - | 6,400,578 |
| Sponsorship/grant received during the year | - | 85,894 | - | 7,170,800 | 7,256,694 |
| Other income received during the year | 62,571 | - | - | 500 | 63,071 |
| Interest received | 33 | - | 24 | 116 | 173 |
| Expenditure incurred during the year | (1,041,964) | (752,274) | (1,184,898) | (5,757,869) | (8,737,005) |
| Depreciation on property, plant and equipment | (2,545,593) | (4,207,039) | (270,609) | - | (7,023,241) |
| Loss on disposal of property, plant and equipment | (11,923) | (2,200) | - | - | (14,123) |
| <u>Increase/(decrease) for the year</u> | <u>415,124</u> | <u>(4,875,619)</u> | <u>993,095</u> | <u>1,413,547</u> | <u>(2,053,853)</u> |
| At 1st April 2017 | 8,321,795 | 10,722,905 | 537,154 | - | 19,581,854 |
| At 31st March 2018 | 8,736,919 | 5,847,286 | 1,530,249 | 1,413,547 | 17,528,001 |
| Represented by: | | | | | |
| Unspent balance | 1,683,645 | - | 1,188,110 | 1,413,547 | 4,285,302 |
| Depreciative property, plant and equipment | 7,053,274 | 5,847,286 | 342,139 | - | 13,242,699 |
| | <u>8,736,919</u> | <u>5,847,286</u> | <u>1,530,249</u> | <u>1,413,547</u> | <u>17,528,001</u> |
| Current portion | 3,320,029 | 2,806,696 | 918,149 | 808,832 | 7,853,706 |
| Non-current portion | 5,416,890 | 3,040,590 | 612,100 | 604,715 | 9,674,295 |
| | <u>8,736,919</u> | <u>5,847,286</u> | <u>1,530,249</u> | <u>1,413,547</u> | <u>17,528,001</u> |

HONG KONG FAMILY WELFARE SOCIETY

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

16

Deferred income (Continued)

| | Lotteries Fund Block Grant Reserve (note a) | Deferred income on property, plant and equipment (note b) | SWDF (note c) | Deferred income on projects | Total |
|---|---|--|------------------|-----------------------------------|--------------|
| Year ended 31st March 2019 | | | | | |
| Allocation from SWD during the year | 4,233,000 | - | 2,919,951 | - | 7,152,951 |
| Sponsorship/grant received during the year | - | 9,527,606 | - | 14,375,935 | 23,903,541 |
| Other income received during the year | 50,700 | - | - | - | 50,700 |
| Interest received | 725 | - | 527 | 1,150 | 2,402 |
| Expenditure incurred during the year | (981,758) | - | (1,236,576) | (13,834,903) | (16,053,237) |
| Depreciation on property, plant and equipment | (2,827,980) | (3,573,309) | (244,944) | - | (6,646,233) |
| Loss on disposal of property, plant and equipment | (27,897) | (2,492) | - | - | (30,389) |
| At 1st April 2018 | | | | | |
| Increase for the year | 446,790 | 5,951,805 | 1,438,958 | 542,182 | 8,379,735 |
| At 1st April 2018 | 8,736,919 | 5,847,286 | 1,530,249 | 1,413,547 | 17,528,001 |
| At 31st March 2019 | 9,183,709 | 11,799,091 | 2,969,207 | 1,955,729 | 25,907,736 |
| Represented by: | | | | | |
| Unspent balance | 3,335,782 | - | 2,537,110 | 1,955,729 | 7,828,621 |
| Depreciative property, plant and equipment | 5,847,927 | 11,799,091 | 432,097 | - | 18,079,115 |
| At 31st March 2019 | 9,183,709 | 11,799,091 | 2,969,207 | 1,955,729 | 25,907,736 |
| Current portion | 3,489,809 | 5,663,563 | 1,781,523 | 847,063 | 11,781,958 |
| Non-current portion | 5,693,900 | 6,135,528 | 1,187,684 | 1,108,666 | 14,125,778 |
| At 31st March 2019 | 9,183,709 | 11,799,091 | 2,969,207 | 1,955,729 | 25,907,736 |

HONG KONG FAMILY WELFARE SOCIETY
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

16 Deferred income (Continued)

- (a) Lotteries Fund Block Grant Reserve represents lump sum government grants for replenishment of furniture and equipment and minor works for existing premises providing subvented welfare services.
- (b) Grants or donations received relating to purchases of property, plant and equipment are deferred and recognised on a straight-line basis over the expected lives of the related assets.
- (c) SWDF supports training and professional development, capacity enhancement initiatives, and service delivery enhancement studies of the subvented services.

17 Payables and receipts in advance

| | 2019 | 2018 |
|---------------------|-------------------|-------------------|
| Payables | 3,836,916 | 2,084,073 |
| Receipts in advance | 12,084,002 | 9,086,941 |
| | <u>15,920,918</u> | <u>11,171,014</u> |

The carrying amounts of payables approximate their fair values as at 31st March 2019 and 2018, and are denominated in Hong Kong dollars.

18 Employee benefit expense

| | 2019 | 2018 |
|---|--------------------|--------------------|
| Salaries | 303,889,390 | 282,698,962 |
| Pension costs - defined contribution scheme and MPF scheme | 27,948,468 | 26,161,111 |
| Staff welfare and other benefits | 1,834,940 | 1,717,623 |
| Increase in provision for unutilised annual leave and long service payments | 892,596 | 535,836 |
| Total | <u>334,565,394</u> | <u>311,113,532</u> |

19 Programme expenses

These are expenses incurred for, or relating to, programmes carried out by the Society. These include advertising, printing and stationery, miscellaneous administrative expenses and rental for venues used in carrying out the programmes.

HONG KONG FAMILY WELFARE SOCIETY
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

20 Premises and other expenses

| | 2019 | 2018 |
|--|-------------------|-------------------|
| Auditor's remuneration - audit services | 614,162 | 418,558 |
| Depreciation (note 4) | 7,398,124 | 8,218,095 |
| Electricity | 1,972,771 | 1,975,376 |
| Insurance | 3,083,267 | 2,672,996 |
| Loss on disposal of property, plant and equipment (note 25(b)) | 30,389 | 16,206 |
| Nursing care consumables | 6,052,238 | 5,697,690 |
| Operating lease rentals in respect of office premises | 9,453,719 | 9,038,529 |
| Repairs and maintenance | 3,957,714 | 2,571,987 |
| Telephone charges | 1,365,014 | 1,208,934 |
| Travelling | 841,708 | 842,579 |
| Training/course/workshops | 1,382,930 | 1,762,212 |
| Printing and stationery | 1,205,567 | 1,119,225 |
| Others | 4,604,817 | 3,349,791 |
| Total | 41,962,420 | 38,892,178 |

21 Donation funding for specific projects

Included in donation funding for specific projects from "other sponsors" are the following programmes of which the relevant income and expenditure are summarised as below:

(a) EDB-School-based After-school Support Programmes

Year ended 31st March 2019

| | Period from 1st April 2018 to 31st July 2018 (School Year 2017/18) | | Period from 1st August 2018 to 31st March 2019 (School Year 2018/19) | | Total |
|--|--|------------------|--|------------------|------------------|
| | <u>HKE1713X</u> | <u>KwT1709</u> | <u>HKE1809</u> | <u>KwT1814</u> | |
| Income | | | | | |
| - Funds received from Education Bureau | 32,776 | 61,191 | 93,062 | 145,369 | 332,398 |
| - Others | - | 137,841 | - | 1,948 | 139,789 |
| | <u>32,776</u> | <u>199,032</u> | <u>93,062</u> | <u>147,317</u> | <u>472,187</u> |
| Expenditure | | | | | |
| - Staff costs | (21,546) | (115,584) | (43,062) | (163,420) | (343,612) |
| - Programme expenses | (33,114) | (37,976) | (27,541) | (54,516) | (153,147) |
| | <u>(54,660)</u> | <u>(153,560)</u> | <u>(70,603)</u> | <u>(217,936)</u> | <u>(496,759)</u> |
| Net surplus/(deficit) | <u>(21,884)</u> | <u>45,472</u> | <u>22,459</u> | <u>(70,619)</u> | <u>(24,572)</u> |

HONG KONG FAMILY WELFARE SOCIETY
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

21 Donation funding for specific projects (Continued)

(a) EDB-School-based After-school Support Programmes (Continued)

Year ended 31st March 2018

| | Period from 1st April 2017 to 31st July 2017 (School Year 2016/17) | | Period from 1st August 2017 to 31st March 2018 (School Year 2017/18) | | Total |
|---|--|------------------|--|------------------|------------------|
| | <u>HKE1611</u> | <u>KwT1612</u> | <u>HKE1713X</u> | <u>KwT1709</u> | |
| Income | | | | | |
| - Funds received from Education Bureau | 23,613 | 34,972 | 83,417 | 145,401 | 287,403 |
| - Others | - | 233,958 | - | 102,228 | 336,186 |
| | <u>23,613</u> | <u>268,930</u> | <u>83,417</u> | <u>247,629</u> | <u>623,589</u> |
| Expenditure | | | | | |
| - Staff costs | (14,594) | (191,951) | (41,319) | (241,680) | (489,544) |
| - Programme expenses | (33,369) | (32,095) | (20,816) | (69,330) | (155,610) |
| | <u>(47,963)</u> | <u>(224,046)</u> | <u>(62,135)</u> | <u>(311,010)</u> | <u>(645,154)</u> |
| Net surplus/(deficit) | <u>(24,350)</u> | <u>44,884</u> | <u>21,282</u> | <u>(63,381)</u> | <u>(21,565)</u> |

(b) Programmes from Community Care Fund

Year ended 31st March 2019

| | Pilot Scheme on Living Allowance for Carers of the Elderly Persons from Low Income Families Phase II | Pilot Scheme on Living Allowance for Carers of the Elderly Persons from Low Income Families Phase III | Dental Service | Pilot Scheme on Relaxing the Household Income Limit of the Fee- waiving Subsidy Scheme under the After School Care Programme | Total |
|----------------|--|---|-------------------|---|---------------|
| Funds received | 6,000 | 24,480 | 9,400 | 20,700 | 60,580 |
| Expenditure | - | - | - | - | - |
| Net surplus | <u>6,000</u> | <u>24,480</u> | <u>9,400</u> | <u>20,700</u> | <u>60,580</u> |

Year ended 31st March 2018

| | Pilot Scheme on Living Allowance for Carers of the Elderly Persons from Low Income Families Phase II | Pilot Scheme on Living Allowance for Carers of the Elderly Persons from Low Income Families Phase III | Dental Service | Pilot Scheme on Relaxing the Household Income Limit of the Fee- waiving Subsidy Scheme under the After School Care Programme | Total |
|----------------|--|---|-------------------|---|---------------|
| Funds received | 18,900 | - | 9,600 | 6,300 | 34,800 |
| Expenditure | - | - | - | - | - |
| Net surplus | <u>18,900</u> | <u>-</u> | <u>9,600</u> | <u>6,300</u> | <u>34,800</u> |

HONG KONG FAMILY WELFARE SOCIETY
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

21 Donation funding for specific projects (Continued)

(c) Programmes from The Community Chest

Year ended 31st March 2019

| | Healthy Divorced Men Project | A Beam of Hope Pilot Project Phase II | Smiley Activation Project – Community/ Home-Based Depression Treatment for the Elderly 2015-17 | Smiley Activation Project – Community/ Home-Based Depression Treatment for the Elderly 2017-18 | “Parade of Lights”- Pilot Project on “Child-focused Intervention Programme for Children Facing Parental Conflicts / Separation or Divorce | Total |
|------------------------|------------------------------|---------------------------------------|--|--|---|-------------|
| Funds received | - | 782,685 | - | 498,083 | 522,972 | 1,803,740 |
| Fee income received | - | 8,900 | - | - | 1,500 | 10,400 |
| Expenditure | - | (787,085) | - | (503,072) | (524,472) | (1,814,629) |
| Net surplus/ (deficit) | - | 4,500 | - | (4,989) | - | (489) |

Year ended 31st March 2018

| | Healthy Divorced Men Project | A Beam of Hope Pilot Project Phase II | Smiley Activation Project – Community/ Home-Based Depression Treatment for the Elderly 2015-17 | Smiley Activation Project – Community/ Home-Based Depression Treatment for the Elderly 2017-18 | “Parade of Lights”- Pilot Project on “Child-focused Intervention Programme for Children Facing Parental Conflicts / Separation or Divorce | Total |
|------------------------|------------------------------|---------------------------------------|--|--|---|-------------|
| Funds received | 428,699 | 1,446,557 | 368,241 | 529,811 | - | 2,773,308 |
| Expenditure | (151,785) | (1,459,928) | (504,975) | (529,177) | - | (2,645,865) |
| Net surplus/ (deficit) | 276,914 | (13,371) | (136,734) | 634 | - | 127,443 |

(d) HSBC Community Partnership Programme from the Hongkong and Shanghai Banking Corporation Limited

Speak As One - Ethnic Minority Community Project 2018-19

| | 2019 | 2018 |
|-----------------------|-----------|-----------|
| Funds received | 125,000 | 175,000 |
| Fee income received | 3,655 | 1,865 |
| Expenditure | (187,827) | (119,379) |
| Net (deficit)/surplus | (59,172) | 57,486 |

HONG KONG FAMILY WELFARE SOCIETY
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

21 Donation funding for specific projects (Continued)

- (d) HSBC Community Partnership Programme from the Hongkong and Shanghai Banking Corporation Limited (Continued)

Women Homemade Eco-Friendly Fabric Product Community Project 2018-19

| | 2019 | 2018 |
|-----------------------|----------|----------|
| Funds received | 66,270 | 97,249 |
| Fee income received | 2,922 | 798 |
| Expenditure | (78,347) | (88,920) |
| Net (deficit)/surplus | (9,155) | 9,127 |

- (e) Enhanced Support for Elderly Person in Cold Weather

| | 2019 | 2018 |
|----------------|----------|----------|
| Funds received | 19,200 | 15,000 |
| Expenditure | (19,200) | (15,000) |
| Net surplus | - | - |

- (f) Enjoy Easy Life @ Internet - Cooperation with Library 2019

| | 2019 | 2018 |
|----------------|----------|------|
| Funds received | 89,040 | - |
| Expenditure | (12,645) | - |
| Net surplus | 76,395 | - |

22 Donations and income from fund raising activities

Included in donations and income from fundraising activities are the following activities/programmes of which the relevant income and expenditure are summarized as below:

- (a) Gross proceeds of HK\$1,904,948 raised from the flag day held on 16th March 2019. The net proceeds of HK\$1,678,877 is allocated to the following services in the financial year ended 31st March 2019:

| | Percentage | 2019 |
|--------------------------------------|------------|-----------|
| Family Retreat Centre | 60% | 1,007,327 |
| Family Care Support Service | 20% | 335,775 |
| Innovative Service - Love for Family | 20% | 335,775 |
| | | 1,678,877 |

HONG KONG FAMILY WELFARE SOCIETY

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

- (b) Care for The Elderly Association Limited – The Care for The Elderly Charity Ticket Campaign 2018/19

| | 2019 | 2018 |
|---------------|---------------|---------------|
| Funds raising | 77,403 | 75,741 |
| Expenditure | (2,585) | (3,296) |
| Net proceeds | <u>74,818</u> | <u>72,445</u> |

23 Benefits and interests of Executive Committee members

The following disclosures are made pursuant to section 383(1)(a) to (f) of the Hong Kong Companies Ordinance (Cap. 622) and Parts 2 to 4 of the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G):

- (a) Executive Committee members' remuneration (also regarded as key management compensation)

| | 2019 | 2018 |
|--|------------------|------------------|
| Salaries and Rewards | 1,552,706 | 1,411,452 |
| Pension costs – defined contribution scheme and MPF Scheme | 137,392 | 120,465 |
| | <u>1,690,098</u> | <u>1,531,917</u> |

The remuneration is paid/payable to for an ex-officio member of the Executive Committee for her employee services provided to the Society.

- (b) During the year, no retirement benefits, payments or benefits in respect of termination of Executive Committee members' services were paid or made, directly or indirectly, to the Executive Committee members; nor are any payable (2018: Nil). No consideration was provided to or receivable by third parties for making available Executive Committee members' service (2018: Nil). There are no loans, quasi-loans or other dealings in favour of the Executive Committee members, their controlled bodies corporate and connected entities (2018: Nil).
- (c) No Executive Committee members of the Society had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Society's business to which the Society was or is a party that subsisted at the end of the year or at any time during the year (2018: Nil).

24 Income tax expense

Hong Kong profits tax has not been provided as the Society is exempted by virtue of section 88 of the Hong Kong Inland Revenue Ordinance.

HONG KONG FAMILY WELFARE SOCIETY
(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

25 Notes to the statement of cash flows

(a) Cash generated from operations

| | 2019 | 2018 |
|--|-------------------|-------------------|
| Surplus for the year | 25,746,989 | 12,630,514 |
| Adjustments for: | | |
| - Interest income | (589,140) | (318,440) |
| - Depreciation (note 4) | 7,398,124 | 8,218,095 |
| - Loss on disposal of property, plant and equipment (note (b) below) | 30,389 | 16,206 |
| Changes in working capital: | | |
| - Net receivables from Lotteries Fund | (10,165,005) | 519,380 |
| - Deposits, prepayments and other receivables | (3,254,433) | (3,755,207) |
| - Payables and receipts in advance | 4,749,904 | 2,550,322 |
| - Home help deposits received | 11,500 | (44,276) |
| - Provisions for unutilised annual leave and long service payments | 892,596 | 535,835 |
| - Deferred income | 8,379,735 | (2,053,853) |
| Cash generated from operations | <u>33,200,659</u> | <u>18,298,576</u> |

(b) In the statement of cash flows, proceeds from disposal of property, plant and equipment comprise:

| | 2019 | 2018 |
|---|----------|----------|
| Net book amount (note 4) | 30,389 | 16,206 |
| Loss on disposal of property, plant and equipment (note 20) | (30,389) | (16,206) |
| Proceeds from disposal of property, plant and equipment | <u>-</u> | <u>-</u> |

(c) Reconciliation of liabilities arising from financing activities was not presented as there was no changes in liabilities arising from financing activities during the year.

26 Banking facilities

As at 31st March 2019, guarantee facilities of HK\$3,885,775 (2018: HK\$2,514,411) are granted to the Society by a bank who provides performance bonds on behalf of the Society, of which HK\$3,885,775 (2018: HK\$2,514,411) are utilised. The Society has also given a counter indemnity to the bank for the facilities granted.

27 Operating lease commitments

At 31st March, the Society had future aggregate minimum lease payments under non-cancellable operating leases in respect of office premises as follows:

| | 2019 | 2018 |
|---|------------------|------------------|
| No later than 1 year | 2,825,070 | 3,120,044 |
| Later than 1 year and no later than 5 years | 2,191,256 | 263,200 |
| | <u>5,016,326</u> | <u>3,383,244</u> |