

HONG KONG FAMILY WELFARE SOCIETY

EXECUTIVE COMMITTEE'S REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST MARCH 2020

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 2020.

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, 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 Connect Specialised Co-parenting Support Centre, and "Child-focused" Parenting Coordination and Co-parenting Services for Divorced Families;
- c) Children Services – including Foster Care Service, Kindergarten Social Work Service, Neighbourhood Support Child Care Project, and After School Care and Support Programmes;
- d) Youth Services – including an Integrated Children and Youth Service Centre, School Social Work Service for 40 secondary schools, and a variety of service projects to serve the developmental needs of young people;
- e) Community Care and Support Services for the Elderly – including Integrated Home Care Service, Enhanced Home and Community Care Services, a Neighbourhood Elderly 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, a Financial Education Centre, Volunteer Service, and Wellness Programmes.

The Society celebrated our 70th Anniversary in 2019. We introduced our revitalized brand image and revamped our website, and organised a series of programmes to connect with different stakeholders and celebrated our achievements. In our "Family Month" in May, we held two symposiums to exchange with relevant professionals on family related subjects, and conducted an open day of service centres to promote our services in the community. At the "70th Anniversary Symposium on Family Wellbeing in a Changing Society", many local and international renowned scholars were invited to share their research and studies on the subject. We have also engaged the Chinese University of Hong Kong to launch a research study to develop the Hong Kong Family Wellbeing Index, the result of which will be announced in the coming year.

This year, we continued the organisation-wide project "Envisioning 2024". We have formed 4 Work Teams to undertake tasks for the 4 key strategies to achieve the two strategic goals, and have started the preparation, stock-taking and engagement work.

HONG KONG FAMILY WELFARE SOCIETY

REPORT OF THE EXECUTIVE COMMITTEE (CONTINUED)

Business review (Continued)

Main business (Continued)

2019/20 was a challenging year to Hong Kong, the impact of social unrest and the outbreak of COVID-19 have been raging the whole city. With the uncertainties amid the crises, HKFWS continued to work together with our partners to provide both tangible and intangible support to families in need. Our devoted and professional staff team has continued serving our service users and taking care of the wellbeing of their families.

Business review and performance analysis

The Society was financially stable with an increase in total income by 15.8% 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 79.8% 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 Award" and "Outstanding Award" of Corporate and Employee Contribution Programme 2019/20 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"; and
- c) Financial Education Centre received the 2020 Financial Education Champion Award and the Quality Award from the Investor and Financial Education Council and the "Corporate Financial Education Leadership - Gold Award" in the Institute of Financial Planners of Hong Kong (IFPHK) Financial Education Leadership Awards 2020.

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 2019/20, the Society maintained a membership of 119.

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 wellbeing. The Society commissioned The Chinese University of Hong Kong in 2019 to conduct a study on "Hong Kong Family Wellbeing Index", which aims to develop a social relevant and culturally appropriate measurement tool of sound reliability and validity to assess the wellbeing of Hong Kong families on "Hong Kong Family Wellbeing Index".

HONG KONG FAMILY WELFARE SOCIETY

REPORT OF THE EXECUTIVE COMMITTEE (CONTINUED)

Business review (Continued)

Key Relationships (Continued)

b) Service Users (Continued)

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”. The Law Reform Commission’s “Causing or Allowing the Death or Serious Harm of a Child or Vulnerable Adult”, etc. During the year, the Society offered education, preventive and remedial services for almost 570,000 beneficiaries and provided intensive service for more than 20,000 individual and family cases.

c) Staff

The Society maintained a work force of over 1,000 as at 31st March 2020, comprising professional, management, administrative, frontline and support staff. The number of staff slightly increased as compared with 2018/19.

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 140 committees, panels, working groups, task force, liaison groups and network meetings of different nature set up under the SWD, Home Affairs Bureau, 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 wellbeing 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 14.9%, which recorded a decrease as compared with the figure of 18.6% 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 introduced Group Personal Accident Insurance for staff and improved the Maternity Leave from 10 weeks to 14 weeks.

Future development

The Society will focus on the implementation of the strategic plan of Envisioning. With the announcement of the first Hong Kong Family Wellbeing Index in the coming year, we will engage different stakeholders to put joint efforts to promote family wellbeing in Hong Kong. We will develop new initiatives to better connect and serve the needs of families and our community in the ever-changing environment.

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 12 to 14 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. Kwok Leung Kit Kan, Ingrid
Ms. Lau Wing Yin, Cecilia
Mr. Lau King Shing, Daniel
Mr. Law Sheung Ping, James
Mr. Loong Hon Biu, Louis
Ms. Siu Wing Yee, Sylvia, JP
Dr. Tang Sau Lim, Philip
Mrs. Lai Wei Kit Lin, Minnie, MH, JP (retired on 5th November 2019)
Ms. Yip Yun Wan, Amarantha (Executive Director) (ex-officio)

Mrs. Lai Wei Kit Lin, Minnie, MH, JP retired as Executive Committee member and did not offer herself for election at the last Annual General Meeting. She 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, 9 2 OCT 2020



羅兵咸永道

**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 54, which comprise:

- the balance sheet as at 31st March 2020;
- 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 2020, 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 ("HKSAs") 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.



羅兵咸永道

**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 HKSAs 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.



羅兵咸永道

**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.



PricewaterhouseCoopers
Certified Public Accountants

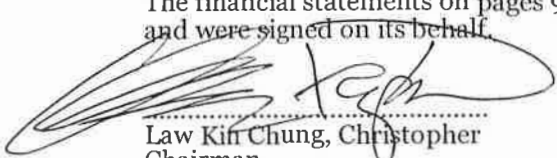
Hong Kong, 12 OCT 2020

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

BALANCE SHEET

		As at 31st March	
	Note	2020	2019
ASSETS			
Non-current assets			
Property, plant and equipment	5	24,421,768	20,289,091
Right-of-use assets	6	11,403,409	-
Trust fund assets	8	42,334,396	63,829,409
Total non-current assets		78,159,573	84,118,500
Current assets			
Receivables from Lotteries Fund	9	11,025,205	10,165,005
Deposits, prepayments and other receivables	10	20,788,301	14,791,753
Fixed deposits with original maturity over three months	11	24,957,226	24,223,240
Cash and cash equivalents	11	224,154,066	196,574,197
Total current assets		280,924,798	245,754,195
Total assets		359,084,371	329,872,695
FUNDS AND RESERVES			
Own funds			
General Fund	12	78,419,667	57,730,153
Capital Reserve	13	1,204,203	1,466,914
Designated Funds	14	40,893,659	38,966,051
Total own funds		120,517,529	98,163,118
Other reserves and trust funds			
Social Welfare Lump Sum Grant Reserve	15(a)	85,713,015	79,401,585
Provident Fund Reserve	15(b)	17,239,960	17,104,678
Subvented Employee Benefit Reserve	15(a) & (c)	17,887,394	15,430,809
Social Welfare Subvention Reserve	16	8,853,876	8,610,811
Trust Funds	17	42,334,396	63,829,409
Total other reserves and trust funds		172,028,641	184,377,292
Total funds and reserves		292,546,170	282,540,410
LIABILITIES			
Non-current liabilities			
Deferred income	18	18,489,518	14,125,778
Lease liabilities	20	5,841,216	-
Total non-current liabilities		24,330,734	14,125,778
Current liabilities			
Payables and receipts in advance	19	16,248,971	15,920,918
Home help deposits received		97,000	94,000
Provisions for unutilised annual leave and long service payments		5,466,280	5,409,631
Deferred income	18	14,527,546	11,781,958
Lease liabilities	20	5,867,670	-
Total current liabilities		42,207,467	33,206,507
Total liabilities		66,538,201	47,332,285
Total funds and liabilities		359,084,371	329,872,695

The above balance sheet should be read in conjunction with the accompanying notes.
The financial statements on pages 9 to 54 were approved by the Executive Committee on 12 FEB 2020 and were signed on its behalf.


Law Kin Chung, Christopher
Chairman


Cheng Shue 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	2020	2019
Revenue			
Government subvention		423,970,484	355,784,661
One-off subsidy from Social Welfare Department		911,400	19,200
Income from Lotteries Fund - Block Grant		3,981,747	3,786,210
Income from Lotteries Fund - Social Welfare Development Fund ("SWDF")		1,508,994	1,480,992
Income from Lotteries Fund - General		22,861,246	13,538,489
Back payment from Social Welfare Department		900,485	852,615
Home help fees		9,542,583	9,862,142
Donation funding for specific projects from:			
- The Community Chest – Baseline Allocation		4,990,700	4,845,300
- The Hong Kong Jockey Club Charities Trust		6,242,093	3,857,925
- Other sponsors	24	37,272,038	41,390,137
Donations and income from fund raising activities	25	1,408,351	5,702,482
Subsidiary services and other project income		16,266,615	16,599,316
		<u>529,856,736</u>	<u>457,719,469</u>
Other income			
Dividend income		1,531,668	1,403,032
Interest income		1,094,823	589,140
		<u>2,626,491</u>	<u>1,992,172</u>
Total income		<u>532,483,227</u>	<u>459,711,641</u>
Expenditure			
Employee benefit expenses	21	390,366,349	334,565,394
Programme expenses	22	57,518,545	57,436,838
Premises expenses	23	10,426,862	13,961,264
Other expenses	23	36,515,331	28,001,156
Interest on lease liabilities		612,611	-
Total expenditure		<u>495,439,698</u>	<u>433,964,652</u>
Surplus and total comprehensive income for the year		<u>37,043,529</u>	<u>25,746,989</u>
Utilisation of current year's surplus:			
Surplus transferred to:			
- General Fund	12	22,189,514	3,220,272
- Capital Reserve	13	(262,711)	(242,110)
- Designated Funds	14	427,608	5,672,755
- Social Welfare Lump Sum Grant Reserve	15(a)	8,747,776	10,729,352
- Social Welfare Provident Fund Reserve	15(b)	198,775	275,607
- Social Welfare Subvention Reserve	16	5,742,567	6,091,113
		<u>37,043,529</u>	<u>25,746,989</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 12)	Capital Reserve (note 13)	Designated Funds (note 14)	Total
Balance at 1st April 2018	<u>54,509,881</u>	<u>1,709,024</u>	<u>33,293,296</u>	<u>89,512,201</u>
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	<u>3,220,272</u>	<u>(242,110)</u>	<u>5,672,755</u>	<u>8,650,917</u>
Balances at 31st March 2019 and 1st April 2019	<u>57,730,153</u>	<u>1,466,914</u>	<u>38,966,051</u>	<u>98,163,118</u>
Comprehensive income				
Surplus/(deficit) for the year transferred from the statement of comprehensive income	22,189,514	(262,711)	427,608	22,354,411
Transfer between reserves	(1,500,000)	-	1,500,000	-
Other comprehensive income	-	-	-	-
Total comprehensive income	<u>20,689,514</u>	<u>(262,711)</u>	<u>1,927,608</u>	<u>22,354,411</u>
Balance at 31st March 2020	<u>78,419,667</u>	<u>1,204,203</u>	<u>40,893,659</u>	<u>120,517,529</u>

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	2020	2019
Cash flows from operating activities			
Cash generated from operations	28(a)	51,649,557	33,200,659
Refund of prior years' surplus to SWD	15 & 16	(5,542,756)	(4,287,782)
Net cash inflow from operating activities		46,106,801	28,912,877
Cash flows from investing activities			
Purchases of property, plant and equipment	5	(12,993,702)	(12,458,530)
Increase in bank deposits with original maturity over three months		(733,986)	(421,782)
Interest received		1,094,823	589,140
Net cash outflow from investing activities		(12,632,865)	(12,291,172)
Cash flows from financing activities			
Principal elements of lease payments	28(d)	(5,281,456)	-
Interest elements on lease payments	28(d)	(612,611)	-
Net cash outflow from financing activities		(5,894,067)	-
Net increase in cash and cash equivalents		27,579,869	16,621,705
Cash and cash equivalents at beginning of the year		196,574,197	179,952,492
Cash and cash equivalents at end of the year	11	224,154,066	196,574,197

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 2020, the Society had 119 (2019: 117) 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") 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 areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

- (a) New standards, amendments and interpretations to existing HKFRS (collectively, the "Amendments") adopted by the Society

The Society has applied the following Amendments for the first time for its annual reporting period commencing on 1st April 2019:

Annual Improvements Project	Annual Improvements 2015 - 2017 cycle
HKFRS 16	Leases
HK(IFRIC) 23	Uncertainty over Income Tax Treatments
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures

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 HKFRS 16 set out in note 2.2.

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 accounting periods commencing on or after 1st April 2020 and they have not been early adopted in these financial statements.

Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting ¹
HKFRS 3	Definition of Business ¹
HKAS 1 and HKAS 8 (Amendments)	Definition of Material ¹
HKFRS 17	Insurance Contracts ²
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

Note:

- (1) Effective for financial period beginning on 1st April 2020
- (2) Effective for financial period beginning on 1st April 2021
- (3) Effective for financial period beginning on or after a date to be determined

The Society has already commenced an assessment of the impact of these Amendments. According to the preliminary assessment made by the directors, no significant impact on the financial performance and position of the Society is expected when they become effective.

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 "Leases" on the Society's financial statements.

The Society has adopted HKFRS 16 from 1st April 2019 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The Society adopted HKFRS 16 using the modified retrospective approach which means that the reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet as of 1st April 2019 and that comparatives will not be restated.

On adoption of HKFRS 16, the Society recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 "Leases" unless the underlying leases are less than 12 months or of low value. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1st April 2019. The lessee's weighted average incremental borrowing rate applied to the lease liabilities of office premises and service centres on 1st April 2019 was 5% per annum.

- (a) Practical applied expedients

In applying HKFRS 16 for the first time, the Society has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1st April 2019;
- accounting for operating leases with a remaining lease term of less than 12 months as at 1st April 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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) Measurement of lease liabilities

Operating lease commitments disclosed as at 31st March 2019 (note 30)	5,016,326
Add: Adjustment as a result of a different treatment of extension options	2,796,927
Add: Lease signed after 31st March 2019 with commencement date on 1st April 2019	5,148,930
Less: Low-value and short-term leases not recognised as liabilities	(1,376,585)
The minimum operating lease payments to discount at the lessee's incremental borrowing rate	11,585,598
Less: Total future interest expenses	(810,407)
Present value of remaining lease payments, discounted using the incremental borrowing rate as at 1st April 2019	10,775,191

Total lease liabilities recognised as at 1st April 2019

Of which are:

Current lease liabilities	3,679,683
Non-current lease liabilities	7,095,508
	10,775,191

(c) Measurement of right-of-use assets

The associated right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued payments relating to that lease recognised in the balance sheet as at 1st April 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

(d) Impact of the adoption of HKFRS 16 on the Society's balance sheet on 1st April 2019

	Carrying amount at 31st March 2019	Capitalisation of operating lease contracts	Carrying amount at 1st April 2019
Line items in the balance sheet impacted by the adoption of HKFRS 16			
Right-of-use assets - Office premises and service centers	-	10,775,191	10,775,191
Current lease liabilities	-	3,679,683	3,679,683
Non-current lease liabilities	-	7,095,508	7,095,508
Total lease liabilities	-	10,775,191	10,775,191

There was no impact on general fund on 1st April 2019.

HONG KONG FAMILY WELFARE SOCIETY
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NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.2 Changes in accounting policies (Continued)

- (e) Impact of the adoption of HKFRS 16 on the Society's financial results and cash flows

There is no material impact on the surplus for the year.

In the statement of cash flows, the Society as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows unaffected, the adoption of HKFRS 16 therefore results in a change in presentation of cash flows within the statement of cash flows.

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.

Construction in progress are property, plant and equipment in the course of construction for the Society's own use purposes, and are carried at cost less any impairment losses. Construction in progress are not depreciated and are transferred to the appropriate category of property, plant and equipment when the construction is completed and the asset is ready for its intended use.

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.

HONG KONG FAMILY WELFARE SOCIETY
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NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.4 Property, plant and equipment (Continued)

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.

2.6 Financial assets

(a) Classification

The Society classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through OCI included in trust fund assets (note 8); 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 be recorded in trust funds (note 17). 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 financial assets at fair value through OCI ("FVOCI") included in trust fund assets.

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

(b) 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.

(c) Measurement

At initial recognition, the Society measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

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NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.6 Financial assets (Continued)

(c) Measurement (Continued)

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 profit or loss as other income when the Society's right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI included in trust fund assets are not reported separately from other changes in fair value.

(d) Impairment

The Society assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI, if any. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For other financial assets at amortised cost, the Society has assessed that the expected credit losses for these receivables are not material under the 12 months expected losses method. Thus no loss allowance provision was recognised at 31st March 2020 (2019: nil).

2.7 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.

2.8 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.

2.9 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.

2.10 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.

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NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.11 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.

2.12 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.

2.13 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.

2.14 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.

2.15 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.

2.16 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.

HONG KONG FAMILY WELFARE SOCIETY
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NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.17 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.

2.18 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amount received for service provided. The Society recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity.

(a) Home help fees

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

(b) 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.

2.19 Dividend

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

2.20 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).

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NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.21 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.

2.22 Leases (as a lessee)

As explained in note 2.2 above, the Society has changed its accounting policy for leases where the Society is the lessee. The new policy is described below and the impact of the change in note 2.2.

Accounting policies applied until 31st March 2019

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 (note 30). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

HONG KONG FAMILY WELFARE SOCIETY
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NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.22 Leases (as a lessee) (Continued)

Accounting policies applied from 1st April 2019

From 1st April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Society.

Contracts may contain both lease and non-lease components. The Society allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Society under residual value guarantees;
- the exercise price of a purchase option if the Society is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Society exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Society, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Society:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Society, which does not have recent third party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

HONG KONG FAMILY WELFARE SOCIETY
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NOTES TO THE FINANCIAL STATEMENTS

2 Summary of significant accounting policies (Continued)

2.22 Leases (as a lessee) (Continued)

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Society is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in-substance fixed payments.

When the lease liability is reassessed, the corresponding adjustment is reflected in the right-of-use asset, or comprehensive income if the right-of-use asset is already reduced to zero.

Payments associated with short-term leases of office premises and service centres and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise office premises and service centres.

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 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 basis 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.

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NOTES TO THE FINANCIAL STATEMENTS

3 Financial and fund risks management (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

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 2020 and 2019 (on adoption of HKFRS 9) was considered immaterial.

For other financial assets at amortised cost, no loss allowance provision was determined as at 31st March 2020 and 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 from SWD 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.

	2020	2019
Less than 1 year		
Payables (note 19)	2,052,708	3,836,916
Home help deposits received	97,000	94,000
Undiscounted lease liabilities (note 20)	6,318,468	-
	<u>8,468,176</u>	<u>3,930,916</u>
More than one year and less than five years		
Undiscounted lease liabilities (note 20)	6,015,283	-
	<u>14,483,459</u>	<u>3,930,916</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.

HONG KONG FAMILY WELFARE SOCIETY
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NOTES TO THE FINANCIAL STATEMENTS

3 Financial and fund risks management (Continued)

3.1 Financial risk factors (Continued)

(d) Cash flow interest rate risk (Continued)

At 31st March 2020, if interest rates on bank deposits of the Society and Trust fund assets had been 50 basis points (2019: 50 basis points) higher/lower with all other variables held constant, surplus for the year would have been approximately HK\$1,207,097 (2019: HK\$1,059,769) higher/lower and trust funds would have been approximately HK\$37,617 (2019: HK\$39,451) higher/lower, as a result of higher/lower interest income on the bank deposits.

(e) Price risk

The investments held by the Society, that are classified in the balance sheet as FVOCI included in trust fund assets, are subjected to equity securities price risk.

At 31st March 2020, if equity price of the investments had increased/decreased by 5% (2019: 5%) with all other variables held constant, trust fund assets and trust funds would have been increased/decreased by approximately HK\$1,740,000 (2019: HK\$2,797,000), as a result of higher/lower fair value of FVOCI.

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.

	2020	2019
<u>Recurring fair value measurements</u>		
Level 1		
FVOCI included in Trust fund assets (note 8)	34,811,056	55,939,217

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.

NOTES TO THE FINANCIAL STATEMENTS

3 Financial and fund risks management (Continued)

3.3 Fair value estimation (Continued)

(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.

(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.

4 Critical accounting estimate and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Society makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates or assumptions used on these financial statements that the directors expect will have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are as discussed below.

Lease term determination

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

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NOTES TO THE FINANCIAL STATEMENTS
5 Property, plant and equipment

	Leasehold improvements	Furniture, fixtures and equipment	Air- conditioners	Motor vehicles	Construction in progress	Total
At 1st April 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	<u>7,159,870</u>	<u>3,991,049</u>	<u>297,189</u>	<u>3,810,966</u>	<u>-</u>	<u>15,259,074</u>
Year ended 31st March 2019						
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 28 (b))	(25,337)	(5,052)	-	-	-	(30,389)
- Cost	(82,700)	(715,042)	(87,830)	-	-	(885,572)
- Accumulated depreciation	57,363	709,990	87,830	-	-	855,183
Depreciation (note 23)	(3,459,718)	(1,803,660)	(238,237)	(1,896,509)	-	(7,398,124)
Closing net book amount	<u>13,529,450</u>	<u>3,614,582</u>	<u>194,327</u>	<u>2,950,732</u>	<u>-</u>	<u>20,289,091</u>
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	<u>13,529,450</u>	<u>3,614,582</u>	<u>194,327</u>	<u>2,950,732</u>	<u>-</u>	<u>20,289,091</u>

HONG KONG FAMILY WELFARE SOCIETY

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS**5 Property, plant and equipment (Continued)**

	Leasehold improvements	Furniture, fixtures and equipment	Air- conditioners	Motor vehicles	Construction in progress	Total
Year ended 31st March 2020						
Opening net book amount	13,529,450	3,614,582	194,327	2,950,732	-	20,289,091
Additions	9,503,960	2,581,342	246,600	-	661,800	12,993,702
Disposals (note 28(b))	-	(7,946)	-	-	-	(7,946)
- Cost	(675,750)	(937,863)	(70,410)	-	-	(1,684,023)
- Accumulated depreciation	675,750	929,917	70,410	-	-	1,676,077
Depreciation (note 23)	(5,192,663)	(2,007,103)	(166,018)	(1,487,295)	-	(8,853,079)
Closing net book amount	<u>17,840,747</u>	<u>4,180,875</u>	<u>274,909</u>	<u>1,463,437</u>	<u>661,800</u>	<u>24,421,768</u>
At 31st March 2020						
Cost	62,524,910	18,151,135	2,133,899	15,517,667	661,800	98,989,411
Accumulated depreciation	(44,684,163)	(13,970,260)	(1,858,990)	(14,054,230)	-	(74,567,643)
Net book amount	<u>17,840,747</u>	<u>4,180,875</u>	<u>274,909</u>	<u>1,463,437</u>	<u>661,800</u>	<u>24,421,768</u>

Depreciation expense of HK\$8,853,079 (2019: HK\$7,398,124) 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**6 Right-of-use assets**

	Office and service centres
At 1st April 2019 (on adoption of HKFRS 16)	
HKFRS 16 opening adjustment (note 2.2(d))	10,775,191
Opening net book amount	10,775,191
Additions	6,215,151
Depreciation (note 23)	(5,586,933)
Closing net book amount at 31st March 2020	11,403,409
Represented by:	
Cost	16,990,342
Accumulated depreciation	(5,586,933)
	11,403,409

The Society leases office and service centres. Rental contracts are typically made for fixed period of 1 to 3 years with no extension options. Lease terms are negotiated on an individual basis and contain a range of different terms and conditions. The lease agreements do not impose covenants, but lease assets may not be used as security for borrowing purposes.

Details of the maturity analysis of lease liabilities and total cash outflow for leases in 2019 are set out in notes 20 and 28(d) respectively.

7 Financial instruments by category

The Society's holds the following financial instruments:

	Financial assets at amortised cost	FVOCI	Total
<u>31st March 2020</u>			
Financial assets			
Trust fund assets (note 8)	7,523,340	34,811,056	42,334,396
Receivables from Lotteries Fund (note 9)	11,025,205	-	11,025,205
Deposits and other receivables (note 10)	19,649,465	-	19,649,465
Fixed deposits with original maturity over three months (note 11)	24,957,226	-	24,957,226
Cash and cash equivalents (note 11)	224,154,066	-	224,154,066
	287,309,302	34,811,056	322,120,358

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

NOTES TO THE FINANCIAL STATEMENTS

7 Financial instruments by category (Continued)

The Society's holds the following financial instruments (Continued):

	Financial assets at amortised cost	FVOCI	Total
<u>31st March 2019</u>			
Financial assets			
Trust fund assets (note 8)	7,890,192	55,939,217	63,829,409
Receivables from Lotteries Fund (note 9)	10,165,005	-	10,165,005
Deposits and other receivables (note 10)	13,790,040	-	13,790,040
Fixed deposits with original maturity over three months (note 11)	24,223,240	-	24,223,240
Cash and cash equivalents (note 11)	196,574,197	-	196,574,197
	<u>252,642,674</u>	<u>55,939,217</u>	<u>308,581,891</u>
		2020	2019
Financial liabilities at amortised cost			
Payables (note 19)		2,052,708	3,836,916
Home help deposits received		97,000	94,000
Lease liabilities (note 20)		11,708,886	-
		<u>13,858,594</u>	<u>3,930,916</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.

8 Trust fund assets

	2020	2019
FVOCI		
Equity securities, at market value		
- listed in Hong Kong	31,347,856	50,100,217
- listed outside Hong Kong	3,463,200	5,839,000
	<u>34,811,056</u>	<u>55,939,217</u>
Bank balances and cash	7,523,340	7,890,192
Total trust fund assets	<u>42,334,396</u>	<u>63,829,409</u>
Represented by:		
Investment costs	1,093,572	1,093,572
Fixed deposits with original maturity over three months	6,685,267	6,435,609
Other bank balances and cash	838,073	1,454,583
Revaluation surplus on FVOCI	33,717,484	54,845,645
	<u>42,334,396</u>	<u>63,829,409</u>

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

NOTES TO THE FINANCIAL STATEMENTS

8 Trust fund assets (Continued)

(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

	2020	2019
Non-current assets		
- Listed equity securities, at market value	<u>34,811,056</u>	<u>55,939,217</u>

(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.

Trust fund assets are denominated in the following currencies:

	2020	2019
Hong Kong dollars	38,871,196	57,990,409
United States dollars	<u>3,463,200</u>	<u>5,839,000</u>
	<u>42,334,396</u>	<u>63,829,409</u>

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

NOTES TO THE FINANCIAL STATEMENTS

9 Receivables from Lotteries Fund

	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	IFSC East Kowloon Centre Yau Tong Furniture & Equipment	Kowloon City Centre for Active Ageing Furniture & Equipment	Sub-total to next page
At 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 and 1st April 2019	1,076,200	5,938,831	385,000	2,590,974	145,000	-	29,000	10,165,005
Add: Expenditure incurred during the year	-	670,849	-	219,697	6,826,851	528,861	-	8,246,258
Less: Funds received during the year	(1,059,200)	(6,099,282)	-	(2,611,011)	-	-	(29,000)	(9,798,493)
Less: Unclaimed balances written off	(17,000)	-	-	-	-	-	-	(17,000)
At 31st March 2020	-	510,398	385,000	199,660	6,971,851	528,861	-	8,595,770

HONG KONG FAMILY WELFARE SOCIETY

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

9 Receivables from Lotteries Fund (Continued)

	Sub-total from previous page	Specialised Co- parenting Support Centre Fitting-out Works	Specialised Co- parenting Support Centre Furniture & Equipment	EHCCS Lai Huen Service Centre Furniture & Equipment	EHCCS Tai Wo Hau Service Centre Furniture & Equipment	EHCCS Islands Service Centre Furniture & Equipment	EHCCS Shun Lee Service Centre Furniture & Equipment	IFSC Kwai Chung Centre Kwai Chung (South) Reinstatement Works	Sub-total to next page
At 1st April 2018	-	-	-	-	-	-	-	-	-
Add: Expenditure incurred during the year	10,165,005	-	-	-	-	-	-	-	10,165,005
At 31st March 2019 and 1st April 2019	10,165,005	-	-	-	-	-	-	-	10,165,005
Add: Expenditure incurred during the year	8,246,258	1,000,000	379,307	82,734	87,995	31,998	194,202	98,000	10,120,494
Less: Funds received during the year	(9,798,493)	-	-	-	-	-	-	-	(9,798,493)
Less: Unclaimed balances written off	(17,000)	-	-	-	-	-	-	-	(17,000)
At 31st March 2020	8,595,770	1,000,000	379,307	82,734	87,995	31,998	194,202	98,000	10,470,006

HONG KONG FAMILY WELFARE SOCIETY
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NOTES TO THE FINANCIAL STATEMENTS

9 Receivables from Lotteries Fund (Continued)

	Sub-total from previous page	Pilot Scheme on Social Work Service for Pre-primary Institutions (Phase 1) Rent/Rates/ Government Rent Subsidy & Management Fee	IFSC East Kowloon Centre Yau Tong Reinstatement Works	6 IFSCs Furniture & Equipment	Pilot Scheme on Social Work Service for Pre-primary Institutions (Phase 1) Furniture & Equipment	Pilot Scheme on Social Work Service for Pre-primary Institutions (Phase 2) Furniture & Equipment	Total
At 1st April 2018	-	-	-	-	-	-	-
Add: Expenditure incurred during the year	10,165,005	-	-	-	-	-	10,165,005
At 31st March 2019 and 1st April 2019	10,165,005	-	-	-	-	-	10,165,005
Add: Expenditure incurred during the year	10,120,494	118,818	146,300	6,849	185,340	97,892	10,675,693
Less: Funds received during the year	(9,798,493)	-	-	-	-	-	(9,798,493)
Less: Unclaimed balances written off	(17,000)	-	-	-	-	-	(17,000)
At 31st March 2020	10,470,006	118,818	146,300	6,849	185,340	97,892	11,025,205

Note: 6 IFSCs represent IFSC Hong Kong Eastern Centre North Point, IFSC Kwun Tong Centre Shun Lee, IFSC East Kowloon Centre Yau Tong, IFSC Tseung Kwan O Centre Tseung Kwan O (South), IFSC West Kowloon Centre Shamshuipo (West) and IFSC Kwai Chung Centre Kwai Chung (South).

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NOTES TO THE FINANCIAL STATEMENTS

10 Deposits, prepayments and other receivables

	2020	2019
Utility and other deposits	1,868,727	1,265,519
Other receivables	17,780,738	12,524,521
Financial assets	19,649,465	13,790,040
Prepayments	1,138,836	1,001,713
	<u>20,788,301</u>	<u>14,791,753</u>

As at 31st March 2020, 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 2020 and 2019, and are denominated in Hong Kong dollars.

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

	2020	2019
Fixed deposits with original maturity over three months	24,957,226	24,223,240
Cash and cash equivalents		
- Cash at banks and in hand	224,154,066	196,574,197
	<u>249,111,292</u>	<u>220,797,437</u>
Maximum exposure to credit risk	<u>248,851,892</u>	<u>220,538,037</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	2020	2019
Social Welfare Lump Sum Grant reserves assets			
- Lump Sum Grant Reserve assets	15(a)	85,713,015	79,401,585
- Provident Fund Reserve assets	15(b)	17,239,960	17,104,678
- Subvented Employee Benefit Reserve assets	15(a) & (c)	17,887,394	15,430,809
Social Welfare Subvention Reserve assets	16	8,853,876	8,610,811
Working capital		94,459,821	76,026,314
		<u>224,154,066</u>	<u>196,574,197</u>

HONG KONG FAMILY WELFARE SOCIETY
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NOTES TO THE FINANCIAL STATEMENTS

12 General Fund

	2020	2019
At 1st April	57,730,153	54,509,881
Surplus transferred from the statement of comprehensive income	22,189,514	3,220,272
Transfer to Designated Funds (note 14)	(1,500,000)	-
At 31st March	<u>78,419,667</u>	<u>57,730,153</u>

13 Capital Reserve

	2020	2019
At 1st April	1,466,914	1,709,024
Deficit transferred from the statement of comprehensive income	(262,711)	(242,110)
At 31st March	<u>1,204,203</u>	<u>1,466,914</u>

HONG KONG FAMILY WELFARE SOCIETY
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NOTES TO THE FINANCIAL STATEMENTS

14 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 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 and 1st April 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
Surplus/(deficit) transferred from the statement of comprehensive income	2,295,406	-	(319,534)	(247,551)	(570,347)	-	18,244	(164,338)	(148,822)	(752,172)	316,722	427,608
Transfer of account	-	-	-	74,453	-	-	-	74,753	224,259	-	(373,465)	-
Transfer from General Fund	-	-	-	-	1,500,000	-	-	-	-	-	-	1,500,000
At 31st March 2020	28,579,894	(73,969)	-	2,933,216	853,558	21,511	39,178	4,275,064	2,441,191	1,674,576	149,440	40,893,659

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

NOTES TO THE FINANCIAL STATEMENTS

14 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
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NOTES TO THE FINANCIAL STATEMENTS

15 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 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 and 1st April 2019	79,401,585	17,104,678	15,430,809	111,937,072
Surplus transferred from the statement of comprehensive income	8,747,776	198,775	-	8,946,551
Transfer	(2,436,346)	-	2,456,585	20,239
Refund of prior years' surplus to SWD	-	(63,493)	-	(63,493)
At 31st March 2020	85,713,015	17,239,960	17,887,394	120,840,369

- (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 2020, as the cap has not been exceeded, no amount is refundable (2019: 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:

	2020	2019
Employee entitlements to unutilised annual leave	15,595,031	12,945,318
Employee entitlements to long service payments	2,292,363	2,485,491
	<u>17,887,394</u>	<u>15,430,809</u>

Approximately 77% (2019: 74%) 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.

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NOTES TO THE FINANCIAL STATEMENTS

16 Social Welfare Subvention Reserve

	Central items reserve	Rent and rates reserve	Interest received	Total
At 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 and 1st April 2019	8,694,909	(215,564)	131,466	8,610,811
Surplus transferred from the statement of comprehensive income	5,767,617	(25,050)	-	5,742,567
Transfer to Social Welfare Lump Sum Grant Reserve	(20,239)	-	-	(20,239)
Refund of prior years' surplus to SWD	(5,372,341)	(106,922)	-	(5,479,263)
At 31st March 2020	9,069,946	(347,536)	131,466	8,853,876

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

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NOTES TO THE FINANCIAL STATEMENTS

17 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 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 and 1st April 2019	128,932	1,809,280	45,951,000	319,743	14,329,527	1,290,927	63,829,409
Funds entrusted	-	-	-	-	4,588,576	-	4,588,576
Bank interest	-	19,739	187,243	520	34,322	-	241,824
Dividends from listed investments	-	24,792	1,531,668	-	214,124	-	1,770,584
Utilised during the year	-	-	-	(164,750)	(5,081,780)	(2,395)	(5,248,925)
Income transferred to the statement of comprehensive income	-	-	(1,718,911)	-	-	-	(1,718,911)
Revaluation deficit	-	(392,607)	(17,201,355)	-	(3,534,199)	-	(21,128,161)
At 31st March 2020	128,932	1,461,204	28,749,645	155,513	10,550,570	1,288,532	42,334,396

The assets of the trust funds are set out in note 8.

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

NOTES TO THE FINANCIAL STATEMENTS

17 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.

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NOTES TO THE FINANCIAL STATEMENTS

18 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 2019</u>					
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	50,700	-	-	-	50,700
Interest income 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)
	<u>446,790</u>	<u>5,951,805</u>	<u>1,438,958</u>	<u>542,182</u>	<u>8,379,735</u>
At 1st April 2018	<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>
At 31st March 2019	<u>9,183,709</u>	<u>11,799,091</u>	<u>2,969,207</u>	<u>1,955,729</u>	<u>25,907,736</u>
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
	<u>9,183,709</u>	<u>11,799,091</u>	<u>2,969,207</u>	<u>1,955,729</u>	<u>25,907,736</u>
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
	<u>9,183,709</u>	<u>11,799,091</u>	<u>2,969,207</u>	<u>1,955,729</u>	<u>25,907,736</u>

HONG KONG FAMILY WELFARE SOCIETY

(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

18 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
<u>Year ended 31st March 2020</u>					
Allocation from SWD during the year	4,592,000	-	1,683,660	-	6,275,660
Sponsorship/grant received during the year	-	9,480,233	-	18,694,039	28,174,272
Other income	700	-	6,300	-	7,000
Interest income received	1,776	-	913	4,185	6,874
Expenditure incurred during the year	(1,164,997)	-	(1,261,564)	(16,839,110)	(19,265,671)
Depreciation on property, plant and equipment	(2,814,475)	(5,012,629)	(254,644)	-	(8,081,748)
Loss on disposal of property, plant and equipment	(4,751)	(2,308)	-	-	(7,059)
Increase for the year	610,253	4,465,296	174,665	1,859,114	7,109,328
At 1st April 2019	9,183,709	11,799,091	2,969,207	1,955,729	25,907,736
At 31st March 2020	9,793,962	16,264,387	3,143,872	3,814,843	33,017,064
Represented by:					
Unspent balance	4,802,717	-	2,614,913	3,814,843	11,232,473
Depreciative property, plant and equipment	4,991,245	16,264,387	528,959	-	21,784,591
	9,793,962	16,264,387	3,143,872	3,814,843	33,017,064
Current portion	4,309,344	5,204,602	1,603,373	3,410,227	14,527,546
Non-current portion	5,484,618	11,059,785	1,540,499	404,616	18,489,518
	9,793,962	16,264,387	3,143,872	3,814,843	33,017,064

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

NOTES TO THE FINANCIAL STATEMENTS

18 Deferred income (Continued)

(a) Lotteries Fund Block Grant Reserve

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.

Movement of the unspent balance of Block Grant Reserve are as below:

	2020	2019
Balance as at 1st April	3,335,782	1,683,644
Add: Block Grant received during the year	4,592,000	4,233,000
Interest income received	1,776	725
Other income	700	50,700
	<u>4,594,476</u>	<u>4,284,425</u>
Less: Expenditure during the year		
Minor Works Projects	(897,035)	(1,158,103)
Furniture & Equipment	(2,114,113)	(1,365,368)
Vehicle Overhauling	(116,393)	(108,816)
	<u>(3,127,541)</u>	<u>(2,632,287)</u>
Contribution from the Society to cover the deficit	-	-
Balance as at 31st March	<u>4,802,717</u>	<u>3,335,782</u>

Capital Commitments

As at 31st March, the outstanding commitments in respect of F&E Replenishment and Minor Works Block Grant were as follows:

	2020	2019
Contracted for but not provided in the accompanying financial statements	273,000	41,500
Authorised but not contracted for	-	-
	<u>273,000</u>	<u>41,500</u>

(b) Deferred income on property, plant and equipment

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.

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

NOTES TO THE FINANCIAL STATEMENTS

18 Deferred income (Continued)

(c) SWDF

SWDF supports training and professional development, capacity enhancement initiatives, and service delivery enhancement studies of the subvented services under Phases 2 and 3.

Movement of unspent balance of SWDF funded by Lotteries Fund are as below:

	2020	2019
(i) Use of SWDF Phase 2		
Balance as at 1st April	20,294	20,294
Allocation from SWDF during the year	-	-
Expenditure during the year		
- Projects under scope B (IT)	(20,294)	-
Total expenditure during the year	(20,294)	-
Balance as at 31st March	-	20,294
(ii) Use of SWDF Phase 3		
Balance as at 1st April	2,516,816	1,167,815
Allocation from SWDF during the year	1,683,660	2,919,951
Interest income received	913	527
Refund from staff	6,300	-
Expenditure during the year		
Projects under scope A	(1,043,163)	(919,050)
Projects under scope B (IT)	(331,214)	(367,217)
Projects under scope C	(89,288)	(208,340)
Administrative support	(129,111)	(76,870)
Total expenditure during the year	(1,592,776)	(1,571,477)
Balance as at 31st March	2,614,913	2,516,816
Total balance as at 31st March	2,614,913	2,537,110

19 Payables and receipts in advance

	2020	2019
Payables	2,052,708	3,836,916
Receipts in advance	14,196,263	12,084,002
	16,248,971	15,920,918

The carrying amounts of payables approximate their fair values as at 31st March 2020 and 2019, and are denominated in Hong Kong dollars.

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(All amounts in Hong Kong dollars unless otherwise stated)

NOTES TO THE FINANCIAL STATEMENTS

20 Lease liabilities

	As at 31st March 2020	As at 1st April 2019
Current	5,867,670	3,679,683
Non-current	5,841,216	7,095,508
	<u>11,708,886</u>	<u>10,775,191</u>
Minimum lease payments		
- Within one year	6,318,468	4,131,516
- Over one year and less than five years	6,015,283	7,454,082
	<u>12,333,751</u>	<u>11,585,598</u>
Less: Total future interest expenses	(624,865)	(810,407)
Present value of lease liabilities	<u>11,708,886</u>	<u>10,775,191</u>

The nature of the Society's leasing activities by type of right-of-use assets recognised on balance sheet is detailed in note 6.

The lessee's incremental borrowing rate applied to the lease liabilities of office premises and service centres on 1st April 2019 was 5% per annum. Interest expense of HK\$612,611 (2019: nil) has been charged in the statement of comprehensive income.

21 Employee benefit expense

	2020	2019
Salaries	356,877,679	303,889,390
Pension costs - defined contribution scheme and MPF scheme	31,480,587	27,948,468
Staff welfare and other benefits	1,951,434	1,834,940
Provision for unutilised annual leave and long service payments	56,649	892,596
Total	<u>390,366,349</u>	<u>334,565,394</u>

22 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

23 Premises and other expenses

	2020	2019
Auditor's remuneration - audit services	653,807	614,162
Depreciation		
- Property, plant and equipment (note 5)	8,853,079	7,398,124
- Right-of-use assets (note 6)	5,586,933	-
Electricity	1,971,317	1,972,771
Insurance	3,284,490	3,083,267
Loss on disposal of property, plant and equipment (note 28(b))	7,946	30,389
Nursing care consumables	5,845,285	6,052,238
Operating lease (including non-lease components, low value and short-term lease) in respect of office premises and service centres	5,442,955	9,453,719
Repairs and maintenance	4,111,459	3,957,714
Telephone charges	1,539,765	1,365,014
Travelling	697,662	841,708
Training/course/workshops	2,059,288	1,382,930
Printing and stationery	1,273,318	1,205,567
Others	5,614,889	4,604,817
Total	46,942,193	41,962,420

24 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 2020

	Period from 1st April 2019 to 31st July 2019 (School Year 2018/19)		Period from 1st August 2019 to 31st March 2020 (School Year 2019/20)		Total
	<u>HKE1809</u>	<u>KwT1814</u>	<u>HKE1906</u>	<u>KwT1915</u>	
Income					
- Funds received from Education Bureau	37,670	60,844	97,403	161,772	357,689
- Fee income received	-	138,787	-	-	138,787
	<u>37,670</u>	<u>199,631</u>	<u>97,403</u>	<u>161,772</u>	<u>496,476</u>
Expenditure					
- Staff costs	(19,018)	(106,687)	(37,547)	(136,473)	(299,725)
- Programme expenses	(42,210)	(22,325)	(16,558)	(39,341)	(120,434)
	<u>(61,228)</u>	<u>(129,012)</u>	<u>(54,105)</u>	<u>(175,814)</u>	<u>(420,159)</u>
Net surplus/(deficit)	<u>(23,558)</u>	<u>70,619</u>	<u>43,298</u>	<u>(14,042)</u>	<u>76,317</u>

HONG KONG FAMILY WELFARE SOCIETY
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NOTES TO THE FINANCIAL STATEMENTS

24 Donation funding for specific projects (Continued)

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

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
- Fee income received	-	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>

(b) Programmes from Community Care Fund

Year ended 31st March 2020

	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	-	40,320	4,500	18,000	62,820
Expenditure	-	-	-	(14,764)	(14,764)
Net surplus	-	<u>40,320</u>	<u>4,500</u>	<u>3,236</u>	<u>48,056</u>

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>

HONG KONG FAMILY WELFARE SOCIETY
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NOTES TO THE FINANCIAL STATEMENTS

24 Donation funding for specific projects (Continued)

(c) Programmes from The Community Chest

Year ended 31st March 2020

	A Beam of Hope Pilot Project Phase II	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	-	-	1,269,256	1,269,256
Fee income received	-	-	4,000	4,000
Expenditure	-	-	(1,273,257)	(1,273,257)
Net deficit	-	-	(1)	(1)

Year ended 31st March 2019

	A Beam of Hope Pilot Project Phase II	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)

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

Year ended 31st March 2020

	Speak As One – Ethnic Minority Community Project	Women Homemade Eco- Friendly Fabric Product Community Project	Total
Funds received	-	-	-
Fee income received	-	-	-
Expenditure	-	-	-
Net surplus	-	-	-

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

NOTES TO THE FINANCIAL STATEMENTS

24 Donation funding for specific projects (Continued)

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

Year ended 31st March 2019

	Speak As One – Ethnic Minority Community Project	Women Homemade Eco- Friendly Fabric Product Community Project	Total
Funds received	125,000	66,270	191,270
Fee income received	3,655	2,922	6,577
Expenditure	(187,827)	(78,347)	(266,174)
Net deficit	(59,172)	(9,155)	(68,327)

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

	2020	2019
Funds received	20,400	19,200
Expenditure	(20,400)	(19,200)
Net surplus	-	-

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

	2020	2019
Funds received	273,590	89,040
Expenditure	(27,837)	(12,645)
Net surplus	245,753	76,395

- (g) One-off Subsidy for Organising Social Activities for Elderly Persons and Persons with Disabilities

	2020	2019
Funds received	50,000	-
Expenditure	-	-
Net surplus	50,000	-

- (h) Pilot Project on Provision of Wi-Fi Service (Wi-Fi Project)

	2020	2019
Lotteries Fund Grant	249,900	-
Expenditure	-	-
Net surplus	249,900	-

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NOTES TO THE FINANCIAL STATEMENTS

25 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 summarised as below:

- (a) Gross proceeds of HK\$413,625 (2019: HK\$1,904,948) raised from the flag day held on 8th February 2020 (2019: 16th March 2019). The net proceeds of HK\$373,765 (2019: HK\$1,678,877) is allocated to the following services in the financial year ended 31st March 2020 and 2019:

	Percentage	2020	2019
Family Retreat Centre	60%	224,259	1,077,327
Family Care Support Service	20%	74,753	335,775
Innovative Service - Love for Family	20%	74,753	335,775
Net proceeds		<u>373,765</u>	<u>1,678,877</u>

- (b) Gross proceeds of HK\$6,864 raised from Charity sale of "The Legacy of Loving Home" Notebooks held from 27th April 2019 to 26th May 2019. The net proceeds of HK\$6,864 is allocated to the following service in the financial year ended 31st March 2020:

	Percentage	2020
Innovative Service - Love for Family	100%	<u>6,864</u>

- (c) Care for The Elderly Association Limited – The Care for The Elderly Charity Ticket Campaign

	2020	2019
Funds raising	-	77,403
Expenditure	(300)	(2,585)
Net (loss)/proceeds	<u>(300)</u>	<u>74,818</u>

26 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)

	2020	2019
Salaries and Rewards	1,619,171	1,552,706
Pension costs – defined contribution scheme and MPF Scheme	143,413	137,392
	<u>1,762,584</u>	<u>1,690,098</u>

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

HONG KONG FAMILY WELFARE SOCIETY
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NOTES TO THE FINANCIAL STATEMENTS

26 Benefits and interests of Executive Committee members (Continued)

- (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 (2019: Nil). No consideration was provided to or receivable by third parties for making available Executive Committee members' service (2019: Nil). There are no loans, quasi-loans or other dealings in favour of the Executive Committee members, their controlled bodies corporate and connected entities (2019: 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 (2019: Nil).

27 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.

28 Notes to the statement of cash flows

- (a) Cash generated from operations

	2020	2019
Surplus for the year	37,043,529	25,746,989
Adjustments for:		
- Interest income	(1,094,823)	(589,140)
- Depreciation of property, plant and equipment (note 5)	8,853,079	7,398,124
- Depreciation of right-of-use assets (note 6)	5,586,933	-
- Loss on disposal of property, plant and equipment (note (b) below)	7,946	30,389
- Interest on lease liabilities	612,611	-
Changes in working capital:		
- Net receivables from Lotteries Fund	(860,200)	(10,165,005)
- Deposits, prepayments and other receivables	(5,996,548)	(3,254,433)
- Payables and receipts in advance	328,053	4,749,904
- Home help deposits received	3,000	11,500
- Provisions for unutilised annual leave and long service payments	56,649	892,596
- Deferred income	7,109,328	8,379,735
Cash generated from operations	<u>51,649,557</u>	<u>33,200,659</u>

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

	2020	2019
Net book amount (note 5)	7,946	30,389
Loss on disposal of property, plant and equipment (note 23)	(7,946)	(30,389)
Proceeds from disposal of property, plant and equipment	<u>-</u>	<u>-</u>

- (c) The recognition and additions of right-of-use assets (note 6) are non-cash financing activities.

HONG KONG FAMILY WELFARE SOCIETY
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NOTES TO THE FINANCIAL STATEMENTS

28 Notes to the statement of cash flows (Continued)

(d) Reconciliation of liabilities arising from financing activities during the year

	Lease liabilities
At 1st April 2019 (on adoption of HKFRS 16)	10,775,191
Additions	6,215,151
Accrued interest expenses	612,611
Cash flows from financing activities	
- payment for lease liabilities	(5,894,067)
	<hr/>
At 31st March 2020	11,708,886
	<hr/>

29 Banking facilities

As at 31st March 2020, guarantee facilities of HK\$2,225,496 (2019: HK\$3,885,775) are granted to the Society by a bank who provides performance bonds on behalf of the Society, of which HK\$2,225,496 (2019: HK\$3,885,775) are utilised. The Society has also given a counter indemnity to the bank for the facilities granted.

30 Operating lease commitments

From 1st April 2019, the Society has recognised right-of-use assets for these leases, except for short-term and low-value leases, see note 6 and note 20 for further information.

As at 31st March, the Society had future aggregate minimum lease payments under non-cancellable operating leases (not included in measurement of lease liabilities) in respect of office premises and service centres as follows:

	2020	2019
No later than 1 year	200,861	2,825,070
Later than 1 year and no later than 5 years	33	2,191,256
	<hr/>	<hr/>
	200,894	5,016,326
	<hr/>	<hr/>