

Our Ref : EHO/aw/K1002-A1

The Committee Members
Kwun Tong Methodist Social Service
Flat A, 6/F., Takad Centre,
135 Wai Yip Street,
Kwun Tong,
Kowloon

Dear Sirs

**Kwun Tong Methodist Social Service (the "Association")
Audit for the year ended 31st March 2022**

During the course of our audit, it comes to our notice that proper accounting records, financial procedures and internal control of the Association have been maintained in accordance with the requirements of the Social Welfare Department. The existing accounting system and internal control are considered to be adequate and proper so as to give effectiveness of safeguarding assets of the Association and ensuring adherence to management policies.

In case we find any obvious weaknesses in the above with regard to our future audit, we shall inform you in due course for improvement.

Yours faithfully,



Alliance & Associates
Certified Public Accountants

Hong Kong, **17 OCT 2022**

**REVIEW REPORT TO THE COMMITTEE MEMBERS OF
KWUN TONG METHODIST SOCIAL SERVICE (THE "ASSOCIATION")**

We have audited the financial statements of the Association for the year ended 31st March 2022 and have issued an unqualified auditors' report thereon dated

17 OCT 2022

We conducted our review of the attached 8 pages of Annual Financial Report of the Association for the year ended 31st March 2022 in accordance with Practice Note 851 "Review of the Annual Financial Reports of Non-governmental Organisations" issued by the Hong Kong Institute of Certified Public Accountants. The review includes considering the procedures and records relevant to the preparation of the Annual Financial Report and performing procedures to satisfy ourselves that the Annual Financial Report has been properly prepared from the books and records of the Association, on which the above audited financial statements of the Association are based.

Review conclusions

On the basis of the results of our review and having regard to the audit procedures performed by us in relation to the audit of the financial statements of the Association for the year ended 31st March 2022:

- a. in our opinion the Annual Financial Report has been properly prepared from the books and records of the Association; and
- b. no matters have come to our attention during the course of our review, which cause us to believe that the Association has not:
 - i) properly accounted for the receipt of Lump Sum Grant, Provident Fund and other social welfare subventions and expenditure in respect of Funding and Services Agreement activities and support services;
 - ii) kept separate Operating Income and Expenditure Account for each subvented service unit as required by the Lump Sum Grant Manual (LSG Manual) published by the Social Welfare Department of the Government of the HKSAR;
 - iii) prepared the Annual Financial Report in accordance with the format and requirements set out in the LSG Manual; and
 - iv) employed the staff quoted in the Provident Fund arrangements during the year ended 31st March 2022.

This report is intended for filing with the Social Welfare Department of the Government of the HKSAR and should not be used for any other purpose.



Alliance & Associates
Certified Public Accountants

Hong Kong, **17 OCT 2022**

ANNUAL FINANCIAL REPORT

NGO: 444 KWUN TONG METHODIST SOCIAL SERVICE

(1 April 2021 to 31 March 2022)

	Notes	2021-22 \$	2020-21 \$
A. INCOME			
1. Lump Sum Grant			
a. Lump Sum Grant (excluding Provident Fund)	1b	30,565,257.00	25,438,391.00
b. Provident Fund	1c	2,237,736.00	1,949,154.00
2. Fee Income	2	-	-
3. Central Items	3	35,125,812.00	3,622,846.00
4. Rent and Rates	4	1,966,420.00	1,608,228.00
5. Other Income	5	1,464,968.80	1,637,324.76
6. Interest Received		191.45	130.79
TOTAL INCOME		<u>71,360,385.25</u>	<u>34,256,074.55</u>
B. EXPENDITURE			
1. Personal Emoluments			
a. Salaries		27,254,242.96	22,780,427.58
b. Provident Fund	1c	1,791,532.35	1,530,900.56
c. Allowances		-	-
Sub-total	6	<u>29,045,775.31</u>	<u>24,311,328.14</u>
2. Other Charges	7	3,392,485.48	3,363,825.65
3. Central Items	3	30,680,092.44	4,616,400.13
4. Rent and Rates	4	1,967,120.60	1,586,925.20
TOTAL EXPENDITURE		<u>65,085,473.83</u>	<u>33,878,479.12</u>
C. SURPLUS/(DEFICIT) FOR THE YEAR	8	<u>6,274,911.42</u>	<u>377,595.43</u>

The Annual Financial Report from pages [1] to [8] has been prepared in accordance with the requirements as set out in the Lump Sum Grant Manual.

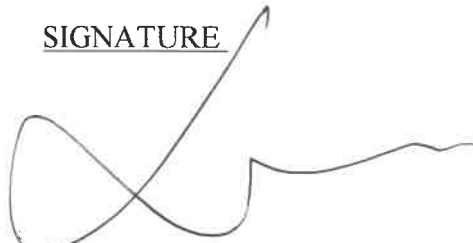
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CHAIRMAN

DATE: 17 OCT 2022

SIGNATURE



GENERAL SECRETARY

DATE: 17 OCT 2022

NOTES ON THE ANNUAL FINANCIAL REPORT

1. Lump Sum Grant (LSG)

- a. Basis of preparation** The Annual Financial Report (AFR) is prepared in respect of all Funding and Service Agreement (FSA) activities (including support services to FSA activities) funded by the Social Welfare Department under the Lump Sum Grant Subvention System. AFR is prepared **on cash basis**, that is, income is recognised upon receipt of cash and expenditure is recognised when expenses are paid. **Non-cash items** such as depreciation, provisions and accruals **have not been included** in the AFR.
- b. Lump Sum Grant (excluding Provident Fund)** This represents LSG (excluding Provident Fund) received for the year.
- c. Provident Fund** This is Provident Fund received and contributed during the year. Snapshot Staff are defined as those staff occupying recognised or holding against subvented posts as at 1 April 2000. 6.8% and other posts represent those staff that are employed after 1 April 2000. The Provident Fund received and contributed for staff under the Central Items have been shown under **Note 3**. Details are analysed below:

<u>Provident Fund Contribution</u>	<u>Snapshot Staff</u> \$	<u>6.8% and Other Posts</u> \$	<u>Total</u> \$
Subvention Received	437,147.00	1,800,589.00	2,237,736.00
Provident Fund Contribution Paid during the Year	(452,372.18)	(1,256,731.71)	(1,709,103.89)
Special One-off MPF Voluntary Contribution	-	(82,428.46)	(82,428.46)
Surplus/ (Deficit) for the Year	(15,225.18)	461,428.83	446,203.65
Add: Surplus/ (Deficit) b/f Additional subvention received for previous year(s)	20,455.46	3,353,374.76	3,373,830.22
Less: Refund to Government	(14,847.00)	-	(14,847.00)
Surplus/ (Deficit) c/f	(9,616.72)	3,814,803.59	3,805,186.87

- 2. Fee Income** This represents social welfare fee income received for the year in respect of the fees and charges recognised for the purpose of subvention as set out in the LSG Manual.
- 3. Central Items** These are subvented service activities which are not included in LSG and are subject to their own procedures as set out in other SWD's papers and correspondence with the NGOs. The Provident Fund received and contributed for staff under the Central Items have been separately included as part of the income and expenditure of the relevant items (paragraph 3.14 of the LSG Manual (October 2016)). The income and expenditure of each of the Central Items are as follows:

	2021-22	2020-21
	\$	\$
a. Income		
After School Care Programme – Fee Waiving Subsidy Scheme	1,752,192.00	1,033,668.00
Training Sponsorship Scheme for Master in Occupational Therapy and Physiotherapy programmes	640,000.00	320,000.00
Training Subsidy Programme for Children on the Waiting List for Subvented Pre-school Rehabilitation Services	3,726,580.00	2,269,178.00
Short-term Food Assistance Service Teams – Food Cost	29,007,040.00	-
Total	<u>35,125,812.00</u>	<u>3,622,846.00</u>
	2021-22	2020-21
	\$	\$
b. Expenditure		
After School Care Programme – Fee Waiving Subsidy Scheme	966,784.00	551,776.00
Training Sponsorship Scheme for Master in Occupational Therapy and Physiotherapy programmes	320,000.00	269,610.00
Training Subsidy Programme for Children on the Waiting List for Subvented Pre-school Rehabilitation Services	4,871,787.80	3,795,014.13
Short-term Food Assistance Service Teams – Food Cost	24,521,520.64	-
Total	<u>30,680,092.44</u>	<u>4,616,400.13</u>

For NGOs with Visiting Medical Practitioner Service Team which arrange delivery of the service under the Programme to all private and self-financing RCHEs, RCHDs as well as contract homes operated by private operators only.

- 4. Rent and Rates** This represents the amount paid by SWD in respect of premises recognised by SWD. Expenditure on rent and rates in respect of premises not recognised by SWD have not been included in AFR.
- 5. Other Income** This includes programme income and all income other than recognised social welfare fee income received during the year. Non-SWD subventions and donations received have not been included as Other Income in AFR. In this respect, donations have been included if it is used to finance expenditure reflected in the AFR.

The breakdown on Other Income is as follows:

	2021-22	2020-21
	\$	\$
Other Income		
(a) Fees and charges for services incidental to the operation of subvented services	1,376,041.18	1,522,834.05
(b) Utilised allocation under Central Items (CI) – After School Care Programme (ASCP) / Enhanced ASCP – Fee Waiving Subsidy Scheme (FWSS) which forms as part of Other Income*	378,976.00	204,316.00
(c) Reimbursement of Maternity Leave Pay (RMLP) Scheme reimbursement received	-	-
(d) Others	88,927.62	114,490.71
Sub-Total	<u>1,843,944.80</u>	<u>1,841,640.76</u>
Less: Utilised allocation under CI - ASCP / Enhanced ASCP - FWSS which forms as part of Other Income*	(378,976.00)	(204,316.00)
Total	<u>1,464,968.80</u>	<u>1,637,324.76</u>

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

6. Personal Emoluments Personal Emoluments include salary, provident fund and salary-related allowances.

The analysis on number of posts with annual Personal Emoluments over \$700,000 each paid under LSG is appended below:

Analysis of Personal Emoluments paid under LSG	No of Posts	\$
HK\$700,001 - HK\$800,000 p.a.	2	1,477,101.00
HK\$800,001 - HK\$900,000 p.a.		
HK\$900,001 - HK\$1,000,000 p.a.		
HK\$1,000,001 - HK\$1,100,000 p.a.	2	2,105,198.49
HK\$1,100,001 - HK\$1,200,000 p.a.		
>HK\$1,200,000 p.a.		

7. Other Charges The breakdown on Other Charges is as follows:

Other Charges	2021-22	2020-21
	\$	\$
(a) Utilities	259,928.00	143,907.00
(b) Food	-	-
(c) Administration Expenses	435,514.97	399,969.79
(d) Stores and Equipment	540,984.64	484,309.52
(e) Repair and Maintenance	316,641.70	185,903.80
(f) Special Allowances	-	-
(g) Programme Expenses	1,776,478.56	1,969,461.79
(h) Transportation and Travelling	16,742.10	29,424.96
(i) Insurance	252,357.09	199,419.19
(j) Miscellaneous	15,046.50	9,111.90
(k) Staff Training and Development	157,767.92	146,633.70
Sub-Total	3,771,461.48	3,568,141.65
<u>Less:</u> Utilised allocation under CI - ASCP / Enhanced ASCP - FWSS* which forms as part of Other Income to fund the operating expenses of FSA-related activities	(378,976.00)	(204,316.00)
Total	3,392,485.48	3,363,825.65

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

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

	Lump Sum Grant (LSG)	Adjustment for Utilised allocation under ASCP / Enhanced ASCP-FWSS	Rent and Rates	Central Items (CI)	Total
	\$	\$	\$	\$	\$
Income					
Lump Sum Grant	32,802,993.00	-	-	-	32,802,993.00
Fee Income	-	-	-	-	-
Other Income	1,843,944.80	(378,976.00)	-	-	1,464,968.80
Interest Received (Note (1))	191.45	-	-	-	191.45
Rent and Rates	-	-	1,966,420.00	-	1,966,420.00
Central Items	-	-	-	35,125,812.00	35,125,812.00
Total Income (a)	34,647,129.25	(378,976.00)	1,966,420.00	35,125,812.00	71,360,385.25
Expenditure					
Personal Emoluments	29,045,775.31	-	-	-	29,045,775.31
Other Charges	3,771,461.48	(378,976.00)	-	-	3,392,485.48
Rent and Rates	-	-	1,967,120.60	-	1,967,120.60
Central Items	-	-	-	30,680,092.44	30,680,092.44
Total Expenditure (b)	32,817,236.79	(378,976.00)	1,967,120.60	30,680,092.44	65,085,473.83
Surplus/(Deficit) for the Year (a)-(b)	1,829,892.46	-	(700.60)	4,445,719.56	6,274,911.42
<u>Less:</u> Surplus/ (Deficit) of Provident Fund	446,203.65	-	-	-	446,203.65
	1,383,688.81	-	(700.60)	4,445,719.56	5,828,707.77
Surplus/ (Deficit) b/f (Note (2))	5,435,663.23	-	21,306.50	(722,144.13)	4,734,825.60
Add: Refund from Government (Letter: SWD SF/4-15/1/9)	6,819,352.04	-	20,605.90	3,723,575.43	10,563,533.37
	-	-	-	987,878.00	987,878.00
<u>Less:</u> Refund to Government Letter: SWD SF/SAS/4-35/2/101(444) dated 30/11/2021 for 2020-21	-	-	(21,302.80)	-	(21,302.80)
Transfer from LSG Reserve to cover medical allowance	(113,865.25)	-	-	-	(113,865.25)
Transfer from LSG Reserve to cover the salary adjustment for Dementia Supplement and Infirmary Care Supplement (Note (3))	-	-	-	-	-
Adjustment for utilised allocation under Enhanced ASCP – FWSS* (over-estimated) / under-estimated in previous year(s)	-	-	-	-	-
Surplus/ (Deficit) c/f (Note (4))	6,705,486.79	-	(696.90)	4,711,453.43	11,416,243.32

Notes:

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

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

- (1) Interest received on LSG and Provident Fund reserves, rent and rates, central items are included as one item under LSG; and the item is considered as part of LSG reserve.
- (2) Accumulated balance of LSG Surplus b/f from previous years (including holding account) and all interest received in previous years should be included in the surplus b/f under LSG.
- (3) Amount of LSG Reserve used to cover the salary adjustment for Dementia Supplement and Infirmity Care Supplement, if any, as per Schedule for Central Items.
- (4) The level of LSG cumulative reserve (i.e. S), less LSG Reserve kept in the holding account, will be capped at 25% of the NGO's operating expenditure (excluding Provident Fund expenditure) for the year.

Schedule for Rent and Rates**Analysis of Subvention and Expenditure for the period from 01/04/2021 to 31/03/2022****Name of Agency: 444 KWUN TONG METHODIST SOCIAL SERVICE**

Unit Code and Name	Subvented Element	Subvention Released (Note 1)	Actual Expenditure	Surplus (Note 2)	Deficit (Note 2)
3868-Ngau Tau Kok Youth Integrated Service Centre	Rent (Note 3)	\$ 418,201.-	\$ 418,200.-	\$ 1.-	\$ -
	Rates	84,600.-	64,000.-	20,600.-	-
	Total	502,801.-	482,200.-	20,601.-	-
3865-Family Life Education	Rent (Note 3)	1,416.-	-	1,416.-	-
	Rates	2,338.-	-	2,338.-	-
	Total	3,754.-	-	3,754.-	-
7783-Lam Tin Neighbourhood Elderly Centre	Rent (Note 3)	164,932.-	164,931.60	0.40	-
	Rates	4,850.-	4,850.-	-	-
	Total	169,782.-	169,781.60	0.40	-
3333-Happy Learning Sprouts-On-site Pre-school Rehabilitation Service	Rent (Note 3)	917,952.-	933,908.70	-	15,956.70
	Rates	-	9,100.-	-	9,100.00
	Total	917,952.-	943,008.70	-	25,056.70
7579-Short-Term Food Assistance Service Teams-Team 3 KTMSS	Rent (Note 3)	363,294.-	363,293.62	0.38	-
	Rates	8,837.-	8,836.68	0.32	-
	Total	372,131.-	372,130.30	0.70	-
Grand Total		1,966,420.-	1,967,120.60	24,356.10	25,056.70

Notes:

- The figures are to be extracted from the payroll for March plus subvention released in late March of the financial year.
- Surplus/Deficit for each element represents the difference between subvention released and actual expenditure.
- Rent includes all kinds of rent such as PHE rental, private rental, carpark rent, management fee, building maintenance fee and Government Rent.

Schedule for Central Items
Analysis of Subvention and Expenditure for the Period from 1 April 2021 to 31 March 2022

Name of NGO : Kwun Tong Methodist Social Service

Unit Code and Name/ Remittance Advice No. (Note 7)	Subvented Element	Subvention Released (Note 1)	Actual Expenditure (Note 2)	Surplus (Note 3)	Deficit for the Year		Adjusted Deficit (d) = (b) - (c)	Surplus/(Deficit) b/f (Note 5)	Refund to/from Government (f)	Adjustment (Note 9) (e)	Surplus/(Deficit) c/f (Note 6) (h) = (a) + (b) - (d) + (e) - (f)
					Deficit (Note 3) (b)	Deficit transferred to LSG (Note 4) (c)					
3050-KTMSS	After School Care Programme - Fee Waiving Subsidy Scheme	\$ 1,752,192.00	\$ 966,784.00	\$ 785,408.00	\$ -	\$ N.A.	\$ -	483,692.00	-	-	1,269,100.00
6542-KTMSS	Training Sponsorship Scheme for Master in Occupational Therapy and Physiotherapy programmes	640,000.00	320,000.00	320,000.00	-	N.A.	-	320,000.00	-	-	640,000.00
6603-KTMSS	Training Subsidy Programme for Children on the Waiting List for Subvented Pre-school Rehabilitation Services	3,726,580.00	4,871,787.80	-	(1,145,207.80)	N.A.	-	(1,525,836.13)	987,878.00	-	(1,683,165.93)
7576-KTMSS	Short-term Food Assistance Service Teams (STFASTs) - Food Cost	29,007,040.00	24,521,520.64	4,485,519.36	-	N.A.	-	-	-	-	4,485,519.36
TOTAL		35,125,812.00	30,680,092.44	5,590,927.36	(1,145,207.80)	-	-	(722,144.13)	987,878.00	-	4,711,453.43

Notes:

- The figures for the whole financial year are extracted from the payroll for March (Final) or remittance advice(s) issued by the Treasury or allocation letter(s) issued by Social Welfare Department of the financial year.
- Actual expenditure represents the total expenditure incurred including provident fund for the respective services after netting off programme income, if any.
- Surplus/Deficit for each element represents the difference between subvention released and actual expenditure.
- Deficit i.r.o. the following central items arising from salary adjustment are transferred to the Lump Sum Grant Reserve as stated in SWD's letter ref. (33) in SWD/S/104/2 Pt. 18 dated 4 March 2020.
 - Dementia Supplement for Elderly with Disabilities
 - Infirmary Care Supplement for the Aged Blind Persons
 - Dementia Supplement for Residential Elderly Services
 - Infirmary Care Supplement for Residential Elderly services
- "Surplus brought forward (b/f)" means surplus, if any, arising from operations in previous years.
- "Surplus carried forward (c/f)" means surplus brought forward less refund to Government plus surplus, if any, arising from operations in current year.
- Unit code and name / remittance advice no. are extracted from the payroll from SWD and remittance advice from the Treasury respectively.
- The central items as listed above may not be exhaustive and any relevant details of central items released and/or expended during the year, where appropriate, should also be included.
- For ASCP/ Enhanced ASCP, the adjustment includes the amount of expenditure overstated / (understated) in previous year(s) after taking into account the actual claw-back amount(s) per SWD's allocation letter(s), if any.
- For NGOs with Visiting Medical Practitioner Service Team which arrange delivery of the service under the Programme to all private and self-financing RCHEs, RCHEs as well as contract homes operated by private operators only.