

THE HONG KONG SOCIETY FOR THE DEAF

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 31ST MARCH 2023

F. S. Li & Co.

李福樹會計師事務所

CERTIFIED PUBLIC ACCOUNTANTS
HONG KONG

ANNUAL FINANCIAL REPORT
NGO: The Hong Kong Society For The Deaf
1 APRIL 2022 TO 31 MARCH 2023

	Notes	2022-23 \$	2021-22 \$
A. INCOME			
1. Lump Sum Grant		73,026,743	68,550,427
a. Lump Sum Grant (excluding Provident Fund)	1b	68,263,571	63,917,178
b. Provident Fund	1c	4,763,172	4,633,249
2 Fee Income	2	346,091	453,919
3 Central Items	3	3,257,870	1,474,902
4 Rent and Rates	4	2,311,018	1,633,516
5 Other Income	5	3,853,769	3,632,213
6 Interest Received		295,183	136,108
TOTAL INCOME		83,090,674	75,881,085
B. EXPENDITURE			
1. Personal Emoluments			
a. Salaries		57,710,073	51,221,753
b. Provident Fund	1c	3,406,612	3,418,290
c. Allowances		-	-
Sub-total	6	61,116,685	54,640,043
2. Other Charges	7	13,626,146	10,821,637
3. Central Items	3	3,532,038	1,296,150
4. Rent and Rates	4	3,738,714	3,368,433
TOTAL EXPENDITURE		82,013,583	70,126,263
C. SURPLUS FOR THE YEAR	8	1,077,091	5,754,822

The Annual Financial Report from pages 1 to 5 has been prepared in accordance with the requirements as set out in the Lump Sum Grant Manual.

SIGNATURE



CHAIRMAN

Mr. LUI Wai Bun

DATE: 28th September 2023

SIGNATURE



DIRECTOR

Mr. CHEUNG Hon Wa

DATE: 28th September 2023

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) services (including support services to FSA services) 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 which are separately included as part of the income and expenditure of the relevant items have been shown under Note 3. Details are analysed below:

<u>Provident Fund Contribution</u>	<u>Snapshot Staff</u>	<u>6.8% & Other Posts</u>	<u>Total</u>
	\$	\$	\$
Subvention Received	661,798	4,101,374	4,763,172
Provident Fund Contribution			
Paid during the year	<u>(645,702)</u>	<u>(2,760,910)</u>	<u>(3,406,612)</u>
Surplus for the Year	16,096	1,340,464	1,356,560
Add : Surplus b/f	717,492	5,469,961	6,187,453
Add : Adj. of PF 2021/22 *	11,303	17,983	29,286
Adjustment per SWD letter SWD			
SF/S/102/1 (2022) dated 23/3/2022			
- Additional PF for 6.8% posts for 2020/21 or before	-	100,606	100,606
- PF surplus for snapshot staff 2020/21	(511,009)	-	(511,009)
Adjustment per SWD email dated 16/11/2022			
- Increase PF Reserve for 6.8% & Other Posts 2012/13-2019/20	-	291,970	291,970
- Increase PF Reserve for 6.8% & Other Posts 2020/21-2021/22	-	25,265	25,265
Surplus c/f	<u>233,882</u>	<u>7,246,249</u>	<u>7,480,131</u>

* Unrecognised expenses charged to Provident Fund Contribution in Year 2021/22 and adjustment made to absorb such expenses by own fund this year.

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 subsidies allocated to NGOs for specified purposes on a recurrent, time-limited or one-off basis 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. Any surplus, which is not allowed to be offset by any deficit of another item, is subject to claw-back by SWD according to the terms and conditions of individual central items. 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). The income and expenditure of each of the Central Items are as follows:

a. <u>Income</u>	2022-23	2021-22
	\$	\$
Training Subsidy under Training Scheme for Child Care Supervisors and Special Child Care Workers in Pre-school Rehabilitation Services	-	60,000
Training Subsidy Programme for Children on the Waiting List for Subvented Pre-school Rehabilitation Services	628,570	944,902
Financial Incentive Scheme for Mentors of Employees with Disabilities	-	-
Training Sponsorship Scheme for Two-Year MOT/MPT Programme of The Hong Kong Polytechnic University	-	320,000
Subsidy for Enhanced Support for Ethnic Minority Children in Special Child Care Centres and Early Education and Training Centres	50,000	150,000
Time-defined Service Contract of Social Work Service for Pre-primary Institutions		
- Allocation	2,579,300	-
- Rent and Rates	-	-
Total	3,257,870	1,474,902
b. <u>Expenditure</u>	2022-23	2021-22
	\$	\$
Training Subsidy under Training Scheme for Child Care Supervisors and Special Child Care Workers in Pre-school Rehabilitation Services	12,350	12,700
Training Subsidy Programme for Children on the Waiting List for Subvented Pre-school Rehabilitation Services	947,998	915,050
Financial Incentive Scheme for Mentors of Employees with Disabilities	-	-
Training Sponsorship Scheme for Two-Year MOT/MPT Programme of The Hong Kong Polytechnic University	320,000	309,300
Subsidy for Enhanced Support for Ethnic Minority Children in Special Child Care Centres and Early Education and Training Centres	104,663	59,100
Time-defined Service Contract of Social Work Service for Pre-primary Institutions		
- Allocation	2,029,117	-
- Rent and Rates	117,910	-
Total	3,532,038	1,296,150

4. Rent and Rates This represents the amount paid by SWD in respect of premises recognised by SWD. Expenditures 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 of the FSA services/ FSA-related activities reflected in the AFR.

The breakdown on Other Income is as follows :

	2022-23	2021-22
Other Income	\$	\$
(a) Fees and charges for services incidental to the operation of subvented services	1,382,521	1,410,230
(b) Administrative overhead charged to Non-Subvented services	360,000	60,000
(c) Hong Kong Community Chest	1,980,800	1,980,800
(d) Others	130,448	181,183
Total	<u>3,853,769</u>	<u>3,632,213</u>

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.	3	2,230,920
HK\$800,001 - HK\$900,000 p.a.	1	822,312
HK\$900,001 - HK\$1,000,000 p.a.	2	1,889,200
HK\$1,000,001 - HK\$1,100,000 p.a.	-	-
HK\$1,100,001 - HK\$1,200,000 p.a.	1	1,164,752
> HK\$1,200,000 p.a.	-	-

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

	2022-23	2021-22
Other Charges	\$	\$
(a) Utilities	513,031	459,261
(b) Food	98,739	13,733
(c) Administrative Expenses	806,753	702,430
(d) Stores and Equipment	1,679,915	2,583,203
(e) Repair and Maintenance	479,511	375,456
(f) Programme Expenses	3,476,385	2,629,151
(g) Transportation and Travelling	233,483	133,094
(h) Insurance	2,419,625	1,184,738
(i) Paramedical Service	3,263,070	2,058,424
(j) Miscellaneous	655,634	682,147
Total	<u>13,626,146</u>	<u>10,821,637</u>

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

	Lump Sum Grant (LSG)	Holding Account (HA)	Rent and Rates	Central Items	Total
	\$	\$	\$	\$	\$
Income					
Lump Sum Grant	73,026,743	-	-	-	73,026,743
Fee Income	346,091	-	-	-	346,091
Other Income	3,853,769	-	-	-	3,853,769
Interest Received (Note (1))	295,183	-	-	-	295,183
Rent and Rates	-	-	2,311,018	-	2,311,018
Central Items	-	-	-	3,257,870	3,257,870
Total Income (a)	77,521,786	-	2,311,018	3,257,870	83,090,674
Expenditure					
Personal Emoluments	61,116,685	-	-	-	61,116,685
Other Charges	13,626,146	-	-	-	13,626,146
Rent and Rates	-	-	3,738,714	-	3,738,714
Central Items	-	-	-	3,532,038	3,532,038
Total Expenditure (b)	74,742,831	-	3,738,714	3,532,038	82,013,583
Surplus/(Deficit) for the year (a)-(b)	2,778,955	-	(1,427,696)	(274,168)	1,077,091
Less : Surplus of Provident Fund	1,356,560	-	-	-	1,356,560
	1,422,395	-	(1,427,696)	(274,168)	(279,469)
Surplus/(Deficit) b/f (Note (2))	26,515,047	-	(1,728,062)	404,169	25,191,154
Transfer to Holding Account	27,937,442	-	(3,155,758)	130,001	24,911,685
Add : Adjustment of expenses for year 2021/22 *	3,048	7,291,623	-	-	3,048
Adjustment per SWD email dated 16/11/2022					
Add : Year 2012/13-2019/20					
- Increase the b/f of Rent and Rates	-	-	152,518	-	152,518
- Increase LSG reserve	803,683	-	-	-	803,683
Year 2020/21-2021/22					
- Increase the b/f of Rent and Rates	-	-	59,734	-	59,734
- Decrease LSG reserve	(107,336)	-	-	-	(107,336)
Year 2022/23					
- Increase the b/f of Rent and Rates	-	-	32,139	-	32,139
Add : Refund from Government	-	-	1,808,298	-	1,808,298
Less : Refund to Government	(3,712,577)	-	(73,381)	(74,700)	(3,860,658)
Surplus/(Deficit) c/f (Note (4))	17,632,637	7,291,623	(1,176,450)	55,301	23,803,111

* Unrecognised expenses charged to Lump Sum Grant in Year 2021/22 and adjustment made to absorb such expenses by own fund this year.

Notes:

- (1) Interest received on LSG (including HA) 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 all interest received in previous years (see (1) above) and the balance of HA should be separately reported as in the surplus b/f under LSG and HA respectively.
- (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) For NGOs without HA, separate disclosure of the movement of HA in their respective AFRs is not necessary. The level of LSG cumulative reserve (i.e. S 1) will be capped at 25% of the NGO's operating expenditure (i.e. Total Expenditure (TI) excluding Provident Fund Contribution(K)) for the year.
For NGOs with HA, with effect from 2022-23, the calculation of the annual claw-back is as follows:
(i) With Snapshot Staff (SS) [i.e. Position of SS as at 1 September being reported on the Agency Staff List submitted by NGO last year was greater than zero]
The level of LSG cumulative reserve (i.e. SI) will be capped at 25% of the NGO's operating expenditure (i.e. Total Expenditure (TI+ T2) excluding Provident Fund Contribution(K)) for the year.
(ii) Without SS [i.e. Position of SS as at 1 September being reported on the Agency Staff List submitted by NGO last year (which is regarded as Year 0) was zero]
For the next three years (Year 1 to Year 3), the level of LSG cumulative reserve (i.e. SI) will be capped at 25% of the NGO's operating expenditure (i.e. Total Expenditure (TI) excluding Provident Fund Contribution (K)) for the year.
From the fourth financial year (Year 4) onwards, the level of LSG cumulative reserve and HA reserve will be counted altogether and the combined reserve amount (i.e. SI+S2) will be capped at 25% of the NGO's operating expenditure (i.e. Total Expenditure (TI +T2) excluding Provident Fund Contribution (K)) for the year. In this regard, separate disclosure of the movement of HA in their respective AFRs is not necessary.