

ANNUAL FINANCIAL REPORT

FU HONG SOCIETY

1ST APRIL, 2016 TO 31ST MARCH, 2017

	Notes	2016-17 \$	2015-16 \$
A. INCOME			
1. Lump Sum Grant			
a. Lump Sum Grant (excluding Provident Fund)	1b	295,093,183.00	281,261,587.00
b. Provident Fund	1c	28,947,667.00	28,272,131.00
Sub-total		324,040,850.00	309,533,718.00
2. Fee Income	2	19,273,391.65	19,151,374.40
3. Central Items	3	775,825.00	90,303.00
4. Rent and Rates	4	13,149,353.00	11,783,522.00
5. Other Income	5	14,154,716.63	13,842,269.92
6. Interest Received		1,404,645.34	1,294,667.16
TOTAL INCOME		<u>372,798,781.62</u>	<u>355,695,854.48</u>
B. EXPENDITURE			
1. Personal Emoluments			
a. Salaries		264,035,917.57	249,947,083.09
b. Provident Fund	1c	25,263,379.46	26,439,553.94
c. Allowances		2,084,567.48	1,825,207.78
Sub-total	6	291,383,864.51	278,211,844.81
2. Other Charges	7	63,970,785.05	56,085,088.84
3. Central Items	3	623,510.00	90,303.00
4. Rent and Rates	4	12,246,974.20	11,074,361.40
TOTAL EXPENDITURE		<u>368,225,133.76</u>	<u>345,461,598.05</u>
C. SURPLUS FOR THE YEAR	8	<u>4,573,647.86</u>	<u>10,234,256.43</u>

The Annual Financial Report from pages 2 to 7 has been prepared in accordance with the requirements as set out in the Lump Sum Grant Manual.

SIGNATURE



Dr. KWOK Kin Fun, Joseph
CHAIRMAN

DATE: 28th September, 2017

SIGNATURE



Ms. LUK Wai Yin, Becky
CHIEF EXECUTIVE OFFICER

DATE: 28th September, 2017

FU HONG SOCIETY
NOTES ON THE ANNUAL FINANCIAL REPORT
FOR THE YEAR 2016-17

1. Lump Sum Grant

a. Basis of preparation

The Annual Financial Report ("AFR") is prepared in respect of all Funding and Service Agreement ("FSA") activities (including support service to FSA activities) funded by the Social Welfare Department under 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 Lump Sum Grant (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 1st April, 2000.

6.8% and other posts represent those staff that are employed after 1st April, 2000.

The Provident Fund received and contributed for staff under the Central Items are shown in 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	15,286,130.00	13,661,537.00	28,947,667.00
Provident Fund Contribution Paid during the year	(14,271,124.96)	(10,992,254.50)	(25,263,379.46)
Surplus for the year	1,015,005.04	2,669,282.50	3,684,287.54
Add: Surplus b/f	2,423,530.64	25,448,379.82	27,871,910.46
Add: Additional subvention received for previous years	-	311,643.00	311,643.00
Less: Refunded to SWD	(1,170,129.00)	-	(1,170,129.00)
Surplus c/f	<u>2,268,406.68</u>	<u>28,429,305.32</u>	<u>30,697,712.00</u>

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 Lump Sum Grant Manual.

3. Central Items

These are subvented service activities which are not included in Lump Sum Grant and are subject to their own procedures as set out in other SWD's papers and correspondence with the Society. 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 LSG Manual (October 2016)). The income and expenditure of each of the Central Items are as follows:

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3. Central Items (continued)

	<u>2016/17</u>	<u>2015/16</u>
	\$	\$
Income		
Training Sponsorship Scheme for Master in MOT & MPT of the HK PolyU	270,000.00	-
Training Subsidy for Children on the Waiting List of Subvented Pre-school Rehabilitation Services	505,825.00	90,303.00
	<u>775,825.00</u>	<u>90,303.00</u>
Expenditure		
Training Subsidy for Children on the Waiting List of Subvented Pre-school Rehabilitation Services	623,510.00	90,303.00
	<u>623,510.00</u>	<u>90,303.00</u>
Net surplus	152,315.00	-
Add: Adjustment of Care Assistants salaries stipulated by SWD for 2013/14	-	166,706.08
Less: Transfer CA/PA (Care Assistants / Programme Assistants) surplus to Lump Sum Grant Reserve according to the advice of SWD	-	(116,972.52)
Less: Refund of Central Items for 2012/13 to SWD on its re-assessment	-	(43,848.42)
Less: Recovery of Unspent surplus for prior year by SWD		
- PA (Programme Assistants)	(281,752.50)	-
- PW (Programme Worker Posts)	(447,905.74)	-
Surplus b/f	882,783.24	876,898.10
Surplus c/f	<u>305,440.00</u>	<u>882,783.24</u>

4. Rent and Rates

This represents the amount paid by Social Welfare Department ("SWD") in respect of premises recognised by SWD. Expenditure on rent and rates in respect of premises not recognised by SWD have not been included in AFR.

5. Other Income

This includes programme income and all income other than recognised social welfare fee income received during the year. Non-SWD subventions and donations received have not been included as Other Income in AFR. In this respect, donations have been included if it is used to finance expenditure reflected in the AFR.

The breakdown on Other Income (paragraph 2.29 of Lump Sum Grant Manual (October 2016)) is as follows:

	<u>2016/17</u>	<u>2015/16</u>
	\$	\$
Day care fee	1,334,513.05	1,315,391.58
Other fees	6,088,710.85	6,134,728.23
Programme income	1,861,494.26	1,699,911.62
Service users' work income	4,767,923.11	4,651,378.68
Sundry	102,075.36	40,859.81
	<u>14,154,716.63</u>	<u>13,842,269.92</u>

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6. Personal Emoluments

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

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

<u>Analysis of Personal Emoluments</u> <u>paid under Lump Sum Grant</u>	<u>No. of Posts</u>	<u>2016/17</u> \$
HK\$700,001 - HK\$800,000 p.a.	15	11,302,114
HK\$800,001 - HK\$900,000 p.a.	9	7,870,716
HK\$900,001 - HK\$1,000,000 p.a.	15	13,611,740
HK\$1,000,001 - HK\$1,100,000 p.a.	1	1,003,184
HK\$1,100,001 - HK\$1,200,000 p.a.	4	4,524,808
> HK\$1,200,000 p.a.	3	4,276,883

7. Other Charges

The breakdown on Other Charges is as follows:

<u>Other Charges</u>	<u>2016/17</u> \$	<u>2015/16</u> \$
(a) Utilities	8,881,933.00	8,898,680.63
(b) Food	11,925,087.92	11,620,088.20
(c) Administrative Expenses	2,487,134.75	2,055,052.25
(d) Stores and Equipment	2,563,757.77	7,066,452.26
(e) Repair and Maintenance	12,411,367.78	3,980,618.36
(f) Renovation Expenses	928,000.30	946,753.00
(g) Special Allowances	2,260,414.96	2,286,092.80
(h) Programme Expenses	4,985,210.65	4,809,192.95
(i) Transport and Travelling	2,503,946.78	2,457,713.19
(j) Insurance	3,837,426.66	3,272,618.65
(k) Service Users' Work Payment	4,006,689.04	3,869,418.20
(l) Staff Development	936,735.57	794,513.70
(m) Staff Uniform	112,371.30	71,959.00
(n) Miscellaneous	6,130,708.57	3,955,935.65
	<u>63,970,785.05</u>	<u>56,085,088.84</u>

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

	Analysis of Reserve Fund			
	Lump Sum Grant \$	Rent and Rates \$	Central Items \$	Total \$
Income				
Lump Sum Grant	324,040,850.00	-	-	324,040,850.00
Fee Income	19,273,391.65	-	-	19,273,391.65
Other Income	14,154,716.63	-	-	14,154,716.63
Interest Received (Note (1))	1,404,645.34	-	-	1,404,645.34
Rent and Rates	-	13,149,353.00	-	13,149,353.00
Central Items	-	-	775,825.00	775,825.00
Total Income (a)	358,873,603.62	13,149,353.00	775,825.00	372,798,781.62
Expenditure				
Personal Emoluments	291,383,864.51	-	-	291,383,864.51
Other Charges	63,970,785.05	-	-	63,970,785.05
Rent and Rates	-	12,246,974.20	-	12,246,974.20
Central Items	-	-	623,510.00	623,510.00
Total Expenditure (b)	355,354,649.56	12,246,974.20	623,510.00	368,225,133.76
Surplus for the year (a) - (b)	3,518,954.06	902,378.80	152,315.00	4,573,647.86
Less: Surplus of Provident Fund	(3,684,287.54)	-	-	(3,684,287.54)
Surplus/(Deficit) b/f (Note (2))	(165,333.48) 112,161,491.13	902,378.80 (1,669,939.13)	152,315.00 882,783.24	889,360.32 111,374,335.24
	111,996,157.65	(767,560.33)	1,035,098.24	112,263,695.56
Clawback 2013/14 Rents & Rates	-	(67,362.27)	-	(67,362.27)
Clawback 2014/15 Rents & Rates	-	(3,009.00)	-	(3,009.00)
Clawback 2014/15 CI: Programme Assistants / Care Assistants (Time-limited Posts)	-	-	(73,436.49)	(73,436.49)
Clawback 2013/14 CI : Programme Assistants / Care Assistants (Time-limited Posts)	-	-	(208,316.01)	(208,316.01)
Clawback Programme Workers	-	-	(447,905.74)	(447,905.74)
Surplus/(Deficit) c/f	111,996,157.65	(837,931.60)	305,440.00	111,463,666.05

Note:

- All the interest received on Lump Sum Grant and Provident Fund reserves, rent and rates and central items have been included as one item under Lump Sum Grant; and the item is considered as part of Lump Sum Grant reserve.
- Accumulated balance Lump Sum Grant Surplus brought forward from previous years and all interest received in previous years have been included in the surplus brought forward under Lump Sum Grant.
- The level of Lump Sum Grant cumulative reserve will be capped at 25% of the Society's operating expenditure (excluding Provident Fund expenditure) for the year. Regarding the calculation of the amount of Lump Sum Grant cumulative reserve for this purpose, the balance as at 31.3.2007 of \$84,797,583.20 is excluded as per SWD's instruction.

$$\$ (111,996,157.65 - 84,797,583.20) / \$ 355,354,649.56 - 25,263,379.46 = 8.24\%$$