



Review Report to the Management Board of The Mission Covenant Church Limited (“The Church”)

We have audited the financial statements of the Church for the year ended 31 March 2020 and have issued a qualified auditors’ report thereon dated 18 June 2020.

We conducted our review of the attached Annual Financial Report (“AFR”) of the Church for the year ended 31 March 2020 in accordance with Practice Note 851 “Review of the Annual Financial Reports of Non-government 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 AFR and performing procedures to satisfy ourselves that the AFR has been properly prepared from the books and records of the Church, on which the above audited financial statements of the Church are based.

Review conclusions

On the basis of the results of our review and having regard to the procedures performed by us in relation to the audit of the financial statements of the Church for the year ended 31 March 2020:

- (a) in our opinion the AFR has been properly prepared from the books and records of the Church; and
- (b) no matters have come to our attention during the course of our review, which cause us to believe that the Church has not :
 - (i) properly accounted for the receipt of Lump Sum Grant, Provident Fund, Tide-over Grant 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 AFR 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 31 March 2020.



盧 鄺 會 計 師 事 務 所 有 限 公 司
LO AND KWONG C.P.A. COMPANY LIMITED

AUDIT • TAX • BUSINESS ADVISORY

Review Report to the Management Board of The Mission Covenant Church Limited (“The Church”) - Continued

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.

Lo & Kwong

Lo and Kwong C.P.A. Company Limited
Certified Public Accountants (Practising)

Ng Man Li

Practising Certificate Number: P03017

22 October 2020

ANNUAL FINANCIAL REPORT

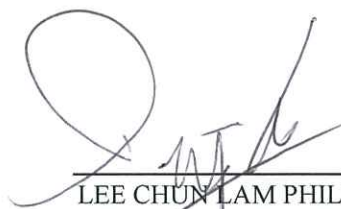
The Mission Covenant Church Limited

Appendix A

1st APRIL 2019 TO 31st MARCH 2020

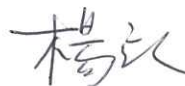
| | Notes | 2019-2020 \$ | 2018-2019 \$ |
|--|-------|---------------------|---------------------|
| A. INCOME | | | |
| 1. Lump Sum Grant | | | |
| a. Lump Sum Grant (excluding Provident Fund) | 1b | 6,085,858.00 | 5,119,694.00 |
| b. Provident Fund | 1c | 481,756.00 | 405,652.00 |
| 2. Fee Income | 2 | 29,800.00 | 29,525.00 |
| 3. Central Items | 3 | 0.00 | 0.00 |
| 4. Rent and Rates | 4 | 165,060.00 | 151,220.00 |
| 5. Other Income | 5 | 797,168.50 | 920,827.75 |
| 6. Interest Received | | 17,334.73 | 2,342.69 |
| TOTAL INCOME | | <u>7,576,977.23</u> | <u>6,629,261.44</u> |
| B. EXPENDITURE | | | |
| 1. Personal Emoluments | | | |
| a. Salaries | | 4,823,306.00 | 3,727,790.75 |
| b. Provident Fund | 1c | 345,078.81 | 268,906.18 |
| c. Allowances | | - | - |
| Sub-total | 6 | <u>5,168,384.81</u> | <u>3,996,696.93</u> |
| 2. Other Charges | 7 | 1,092,595.44 | 1,250,906.35 |
| 3. Central Items | 3 | 23,800.00 | 21,050.00 |
| 4. Rent and Rates | 4 | 162,510.00 | 151,220.00 |
| TOTAL EXPENDITURE | | <u>6,447,290.25</u> | <u>5,419,873.28</u> |
| C. SURPLUS/(DEFICIT) FOR THE YEAR | 8 | <u>1,129,686.98</u> | <u>1,209,388.16</u> |

The Annual Financial Report from pages 1 to 6 has been prepared in accordance with the requirements as set out in the Lump Sum Grant Manual.



LEE CHUN LAM PHILIP
CHAIRMAN

DATE: 30th September 2020



YEUNG LAP YAN
HONORARY EXECUTIVE SECRETARY

DATE: 30th September 2020

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> | Snapshot Staff | 6.8% and Other Posts | Total |
|--|----------------|-------------------------|--------------|
| | \$ | \$ | \$ |
| Subvention Received | 121,131.00 | 360,625.00 | 481,756.00 |
| Provident Fund Contribution Paid during the year | (110,547.00) | (234,531.81) | (345,078.81) |
| Surplus/(Deficit) for the year | 10,584.00 | 126,093.19 | 136,677.19 |
| Add : Surplus/(Deficit) b/f | (3,775.50) | 708,314.97 | 704,539.47 |
| | 6,808.50 | 834,408.16 | 841,216.66 |
| Additional subvention received for previous year(s) | - | - | - |
| Less : Refund from Government | 3,776.00 | - | 3,776.00 |
| Surplus/(Deficit) c/f | 10,584.50 | 834,408.16 | 844,992.66 |

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:

| | 2019-2020 \$ | 2018-2019 \$ |
|---|------------------|------------------|
| a. Income | | |
| -Training Subsidy under Training Scheme for Child Care Supervisors and Special Child Care Workers in Pre-school Rehabilitation Services | 0.00 | 0.00 |
| | <u>0.00</u> | <u>0.00</u> |
| b. Expenditure | | |
| -Training Subsidy under Training Scheme for Child Care Supervisors and Special Child Care Workers in Pre-school Rehabilitation Services | 23,800.00 | 21,050.00 |
| | <u>23,800.00</u> | <u>21,050.00</u> |

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:

| Other Income | 2019-2020 | 2018-2019 |
|---|-------------------|-------------------|
| | \$ | \$ |
| (a) Fees and charges for services incidental to the operation of subvented services | 746,635.00 | 904,272.90 |
| (b) Others | 50,533.50 | 16,554.85 |
| Total | <u>797,168.50</u> | <u>920,827.75</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. | 1 | 743,380.00 |
| HK\$800,001-HK\$900,000 p.a. | - | - |
| HK\$900,001-HK\$1,00,000 p.a. | - | - |
| HK\$1,000,001-HK\$1,100,000 p.a. | - | - |
| 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:

| | 2019-2020 | 2018-2019 |
|-----------------------------------|---------------------|---------------------|
| | \$ | \$ |
| Other Charges | | |
| (a) Utilities | 38,696.00 | 36,076.10 |
| (b) Food | - | - |
| (c) Administrative Expenses | 22,650.60 | 29,296.00 |
| (d) Stores and Equipment | 58,584.55 | 64,336.59 |
| (e) Repair and Maintenance | 21,160.30 | 39,821.50 |
| (f) Special Allowances | - | - |
| (g) Programme Expenses | 871,662.80 | 1,020,913.95 |
| (h) Transportation and Travelling | 2,092.70 | 2,011.90 |
| (i) Insurance | 28,361.38 | 19,578.53 |
| (j) Miscellaneous | 49,387.11 | 38,871.78 |
| Total | <u>1,092,595.44</u> | <u>1,250,906.35</u> |

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

| | Lump Sum Grant (LSG) \$ | Rent and Rates \$ | Central Items \$ | Total \$ |
|---|--|----------------------------------|---------------------------------|---------------------|
| Income | | | | |
| Lump Sum Grant | 6,567,614.00 | - | - | 6,567,614.00 |
| Fee Income | 29,800.00 | - | - | 29,800.00 |
| Other Income | 797,168.50 | - | - | 797,168.50 |
| Interest Received (Note 1) | 17,334.73 | - | - | 17,334.73 |
| Rent and Rates | - | 165,060.00 | - | 165,060.00 |
| Central Items | - | - | - | - |
| Total Income (a) | 7,411,917.23 | 165,060.00 | - | 7,576,977.23 |
| Expenditure | | | | |
| Personal Emoluments | 5,168,384.81 | - | - | 5,168,384.81 |
| Other Charges | 1,092,595.44 | - | - | 1,092,595.44 |
| Rent and Rates | - | 162,510.00 | - | 162,510.00 |
| Central Items | - | - | 23,800.00 | 23,800.00 |
| Total Expenditure (b) | 6,260,980.25 | 162,510.00 | 23,800.00 | 6,447,290.25 |
| Surplus/ (Deficit) for the year (a)-(b) | 1,150,936.98 | 2,550.00 | (23,800.00) | 1,129,686.98 |
| Less: Surplus/(Deficit) of Provident Fund | 136,677.19 | - | - | 136,677.19 |
| Surplus/ (Deficit) b/f (Note 2) | 1,014,259.79 | 2,550.00 | (23,800.00) | 993,009.79 |
| <u>Add:</u> Refund from Government | 2,366,610.47 | - | 116,775.00 | 2,483,385.47 |
| <u>Less:</u> Refund to Government | (934,902.10) | - | - | (934,902.10) |
| Transfer from LSG Reserve to cover the salary adjustment for Dementia Supplement and Infirmary Care Supplement (Note 3) | - | - | - | - |
| Surplus/ (Deficit) c/f (Note 4) | 2,445,968.16 | 2,550.00 | 92,975.00 | 2,541,493.16 |

Notes :

- 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 Infirmary Care Supplement, if any, as per Schedule for Central items.
- 4) The level of LSG cumulative reserve, less LSG Reserves 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 Central Items
Analysis of Subvention and Expenditure for the period from 1 Apr 2019 to 31 Mar 2020

Name of Agency: The Mission Covenant Church Limited (714)

| 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 | | | Surplus b/f (Note 5) | Refund to Government (f) | Surplus c/f (Note 6) |
|---|---|------------------------------------|-----------------------------------|---------------------|----------------------|--|------------------------------------|-------------------------|--------------------------------|-------------------------|
| | | | | | Deficit (Note 3) | Deficit transferred to LSG (Note 4) | Adjusted Deficit (d)=(b)-(c) | | | |
| (Note 7) | | (Note 1) | (Note 2) | (a) | (b) | (c) | (d)=(b)-(c) | (e) | (f) | (g)=(e)+(a)-(d)-(f) |
| 714S - The Mission Covenant Church Yiu On Neighbourhood Elderly Centre | Programme Assistant (Time-limited post) | - | - | - | - | - | - | - | - | - |
| 6060 - The Mission Covenant Church Ltd-Sister Annie's Nursery | Training Scheme for Child Care Supervisors and Special Child Care Workers in Pre-school | - | 23,800.00 | - | 23,800.00 | - | 23,800.00 | 116,775.00 | - | 92,975.00 |
| | Total | - | 23,800.00 | - | 23,800.00 | - | 23,800.00 | 116,775.00 | - | 92,975.00 |

Notes:

1. The figures for the whole financial year are extracted from the payroll for March (Final) or remittance advice(s) issued by the Treasury of the financial year.
2. Actual expenditure represents the total expenditure incurred including provident fund for the respective services after netting off programme income, if any.
3. Surplus/Deficit for each element represents the difference between subvention released and actual expenditure.
4. 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.(5) in SWD/S/104/2 Pt. 18 dated 4 March 2020.
 - (i) Dementia Supplement for Elderly with Disabilities
 - (ii) Infirmary Care Supplement for the Aged Blind Persons
 - (iii) Dementia Supplement for Residential Elderly Services
 - (iv) Infirmary Care Supplement for Residential Elderly services
5. "Surplus brought forward (b/f)" means surplus, if any, arising from operations in previous years.
6. "Surplus carried forward (c/f)" means surplus brought forward less refund to Government plus surplus, if any, arising from operations in current year.
7. Unit code and name / remittance advice no. are extracted from the payroll from SWD and remittance advice from the Treasury respectively.
8. 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.

Schedule for Rent and RatesAnalysis of Subvention and Expenditure for the period from 1 Apr 2019 to 31 Mar 2020Name of Agency: The Mission Covenant Church Limited (714)

| Unit Code and Name | Subvented Element | Subvention Released (Note 1) | Actual Expenditure | Surplus / Deficit (Note 2) | Refund to Government | Surplus b/f | Surplus c/f |
|--|-------------------|---------------------------------|--------------------|----------------------------|----------------------|-------------|-------------|
| 5866 - The Mission Covenant Church Yiu On Neighbourhood Elderly Centre | Rent (Note 3) | \$ 145,140.00 | \$ 145,140.00 | - | \$ | \$ - | \$ - |
| | Rates | 10,200.00 | 7,650.00 | 2,550.00 | | - | 2,550.00 |
| | Government Rent | 9,720.00 | 9,720.00 | - | | - | - |
| | Total | 165,060.00 | 162,510.00 | | - | - | 2,550.00 |

Notes:

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