

HONG KONG EVANGELICAL CHURCH SOCIAL SERVICE LIMITED
(Incorporated in Hong Kong with liabilities limited by guarantee)

REPORTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH, 2018

T. S. LAM & CO.
林贊誠會計師事務所
Certified Public Accountants (Practising)
Hong Kong

HONG KONG EVANGELICAL CHURCH SOCIAL SERVICE LIMITED
REPORTS AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH, 2018

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HONG KONG EVANGELICAL CHURCH SOCIAL SERVICE LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH, 2018

The directors present herewith their reports and the consolidated financial statements for the year ended 31 March, 2018.

1. FINANCIAL STATEMENTS

The state of affairs of the Organization as at 31 March, 2018 is set out in the Consolidated Statement of Financial Position on page 7.

The overall results of the organization for the year are set out in the Consolidated Statement of Comprehensive Income on page 8.

The Consolidated Statement of Changes in Reserves & Funds of the organization for the year is set out on page 9.

The cash flows of the organization for the year are set out in the Consolidated Statement of Cash Flows on page 10.

2. PRINCIPAL ACTIVITIES

During the year, the Organization continued to provide social services through the operation of family centre, elderly centre, integrated home care services team, school services team, community service centre and neighbourhood centre.

3. BUSINESS REVIEW

Hong Kong Evangelical Church Social Service Limited (“the Organization”) is a charitable organization incorporated under the Hong Kong Companies Ordinance and exempted from tax under Section 88 of the Inland Revenue Ordinance. During the year, the Organization continued to provide social services through its subsidiaries (“the units”). The units worked with the government and different sectors to conduct community campaigns and education programmes to develop a harmonious and caring community in achieving our service objective: caring elderly, caring of children and love of neighbourhood.

In 2017/2018, we focused on various developing projects to provide quality and suitable service to the community. For the development, the units continue to implement programmes to support and improve people’s well-being and strengthen their livelihoods. The units take an integrated approach, working with local organizations and groups, helping to empower people to work for positive change for their communities.

(a) Review of Centre’s activities

Tai Hing Neighbourhood Elderly Centre

Since the center has been transformed into a neighborhood center with government subsidy 3 years ago, our service is more diversified, including caregiver support services, volunteer services, hidden elderly and needy support, counselling and case work, elderly dental service and elderly service homes applications. This year, the unit provided a large range of comprehensive services to more needy elderly person in the community, at the same time, our center is under renovation to improve and enhance our facility for providing better environment for our users.

3. BUSINESS REVIEW (CONTINUED)

(a) Review of Centre's activities (Continued)

Bradbury Sheung Shui Family Centre

Virtue Education and Parental Education is one of Bradbury Sheung Shui Family Centre's core development project in these few years, we highlight to influence the way and attitude of kids development in earlier stage and deliver positive values to families from different background.

Besides, the unit has taken an active outreach approach for long to serve residents living in remote villages in North District. To provide wide range of beneficial activities to help change and shape the attitude of rural elderly in becoming more active in their daily lives.

Fanling Family Centre

With the support and sponsor of Cheung Hing Wah Foundation, Fanling Family Center launched a one year project for youth development and parenting education in North District. The project includes: parental support group, parental lectures, reading clubs, parent-child outdoor activities, primary school growth group, counseling group, homework counseling, and youth basketball team.

On the other hand, in order to respond to the community needs, we launched ADHD Early Intervention Service Plan with several kindergartens in north District this year to support children who are suspected or diagnosed with "distraction/hyperactivity disorder" and enhance their concentration.

Yan Lam Community Service Centre

With the change of community needs and population structure, we shifted our main service target from children and family to youth and ladies in this year.

We provide supportive and variety of services in the estate, such as Ladies workshop, tailor team, SEN community service, The 3rd Phase of Simon K Y Lee Children's Fund - FLY Project, Opportunities for the Elderly Project, Pilot scheme on Home Care and Support for Elderly Persons with Mild Impairment, elderly luncheon, elderly development service, Northern District Grassroots Community Economy Network Project, "New Estate with New Relationship" – Cheung Lung Wai Community Neighborhoods Network Project.

School Services Team

School Services Team provides a large range of comprehensive services to a number of schools in Hong Kong, including Comprehensive Student Guidance Service, Understanding Adolescent Project, Special Educational Needs Support Service, New Arrival Students Support Service, Kindergarten Stationing Guidance Service, School-based After School Learning and Support Programmes: Community-based Projects, Outbound Study Tour Service, Parenting Education and Student Development.

Yan Tsuen Neighbourhood Centre

The unit developed series of program and activities for poor and low income families who are living below the poverty line in Community. We run Food Bank, Social Outreach Service and Luncheon for needy to build a neighborhood support network and living environment of harmony and resilience successfully.

HONG KONG EVANGELICAL CHURCH SOCIAL SERVICE LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH, 2018

3. BUSINESS REVIEW (CONTINUED)

(a) Review of Centre's activities (Continued)

Zion Neighbourhood Centre

We provide flexible supportive and developmental services to reduce the incidence of family and community problems in response to the demographic characteristics and needs of Shek Mun Estate. At this stage, the service unit is still in the initial stage of operation. It provides tutoring service, summer activities and carnivals and other activities for the families in need.

(b) Financial performance

Subvention from Social Welfare Department amounted to HK\$14 million, which has been increased by 4.1% or HK\$5 hundred thousand from last year;

Donations, other funding and fund raising amounted to HK\$6 million, which has been increased by 54% or HK\$2.2 million from last year;

Programme income amounted to HK\$21 million, which has been decreased by 3.6% or HK\$7.8 hundred thousand from last year;

Overall programme expenditure was HK\$37 million, representing 90% of total expenditure;

Management and administration costs were HK\$4.4 million, representing 10% of total expenditure;

This year, the organization recorded a increased 54% of the fundraising amount with the generous sponsor from Hong Kong Community Chest, Flag day and other donations. Comparing with last financial year, we have a very good improvement. However, we need to keep up our awareness of the challenging fundraising environment (opportunity of flag day and donations from private sector), the units need to seek more support from the public for the long-term work in development.

(c) Internal controls

The management committee of the units, chaired by the Directors, meets regularly to review and discuss all financial, auditing and internal control issues related to the units. It also supervises the units in assessing the internal processes. This enables the units to evaluate and improve the effectiveness of its risk management practise, control framework and governance processes.

(d) Green policy

At all the time, the units needed to be aware of the impact of all activities on the environment and on the communities. All units apply the principles of Reduce, Reuse, Repair and Recycle to minimise its environment impacts. The units strive to promote good environmental practices through its purchasing. Whenever possible, they source products which are fair trade, organic, energy efficient and environmentally friendly.

4. PLANT AND EQUIPMENT

The movements in plant and equipment during the year are set out in Note 4 to the consolidated financial statements.

HONG KONG EVANGELICAL CHURCH SOCIAL SERVICE LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH, 2018

5. DIRECTORS

The directors who held office during the year and up to date of this report were :-

Chan Kam Lin
Chan Yu Sang
Leung Wing Yin
Mak Lai Sim
Man Chor Kwan
Yeung Lan Kam
Yip Po Yin

6. DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Organization's activities to which the Organization was a party, and in which any director had a material interest, subsisted at the end of the year or at any time during the year.

7. DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Organization a party to any arrangements to enable the directors of the Organization to acquire benefits by means of acquisition of shares in or debentures of the Organization or any other body corporate.


8. INDEMNITY OF DIRECTORS

During the financial year and up to the date of this report, the Organization has in force indemnity provisions as permitted under section 469 of the Companies Ordinance for the benefit of the directors of the Organization. The permitted indemnity provisions are provided for in the Organization's Articles of Association.

9. AUDITOR

The consolidated financial statements have been audited by T. S. Lam & Co., Certified Public Accountants, who retire and, being eligible, offer themselves for re-appointment.

For and on behalf of the Board


Chairman

Date:

28 OCT 2018

**INDEPENDENT AUDITOR'S REPORT
TO THE BOARD OF DIRECTORS OF
HONG KONG EVANGELICAL CHURCH SOCIAL SERVICE LIMITED**
(Incorporated in Hong Kong with liabilities limited by guarantee)

Opinion

We have audited the consolidated financial statements of Hong Kong Evangelical Church Social Service Limited and its subsidiaries ("the Organization") set out on pages 7 to 19, which comprise the consolidated statement of financial position as at 31 March, 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in reserves and funds and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Organization as at 31 March, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standard for Private Entities ("HKFRS for Private Entities") 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 ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Organization 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS for Private Entities issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Organization'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 Directors either intend to liquidate the Organization or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA 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,

**INDEPENDENT AUDITOR'S REPORT
TO THE BOARD OF DIRECTORS OF
HONG KONG EVANGELICAL CHURCH SOCIAL SERVICE LIMITED**

(Incorporated in Hong Kong with liabilities limited by guarantee)


Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' 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 Organization'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 consolidated 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 Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Organization to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Organization audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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.


T. S. LAM & CO.
Certified Public Accountants (Practising)
Hong Kong

28 OCT 2018

HONG KONG EVANGELICAL CHURCH SOCIAL SERVICE LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH, 2018

	Note	2018 HK\$	2017 HK\$
ASSETS AND LIABILITIES			
Non-current assets			
Plant and equipment	4	936,847	1,115,211
Improvement works in progress	5	288,154	269,641
		<u>1,225,001</u>	<u>1,384,852</u>
Current assets			
Accounts and other receivables		2,034,768	1,371,209
Deposits and prepayments		774,166	1,072,502
Time deposit		1,522,919	1,510,242
Cash and cash equivalents	6	11,651,917	9,859,080
		<u>15,983,770</u>	<u>13,813,033</u>
Current liabilities			
Accounts payable and accruals		2,147,173	1,232,109
Receipt in advance	7	3,407,943	3,354,533
Amounts due to related parties	8	4,263,226	3,855,446
		<u>9,818,342</u>	<u>8,442,088</u>
Net current assets		<u>6,165,428</u>	<u>5,370,945</u>
Non-current liabilities			
Long-service payment		<u>452,956</u>	<u>---</u>
Net assets		<u>6,937,473</u>	<u>6,755,797</u>
RESERVES & FUNDS			
General Fund		2,367,232	2,973,688
Renovation Fund		162,000	162,000
Surplus Reserve	9	3,878,809	3,108,579
Reserve for Future Development		94,409	94,409
Fixed Assets Fund		434,934	400,821
The Sir Robert Ho Tung Charitable Fund		89	16,300
Total reserves & funds		<u>6,937,473</u>	<u>6,755,797</u>

Approved and authorised for issue by the Board of Directors on 20 OCT 2018 and signed on behalf of the Board by

x 
 Yip Po Yin
 Director

x 
 Chan Yu Sang
 Director

The notes on pages 11 to 19 form an integral part of these consolidated financial statements.

HONG KONG EVANGELICAL CHURCH SOCIAL SERVICE LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH, 2018

	Note	2018 HK\$	2017 (Reclassified) HK\$
Income			
Activity income		4,442,545	5,835,584
Bank interest		14,809	13,030
Community chest fund programme income	10	1,157,291	527,227
Community care fund income	11	150,610	10,033
Course, day care and tuition fee		6,861,719	6,858,535
Donation income		987,429	952,929
Flag day fund raising income	12	654,798	---
Fund raising income		65,305	128,312
Other grants and subvention		3,231,052	2,177,983
Programme income		326,993	303,628
Special one-off grant		14,896	---
School project fee		8,067,430	7,555,373
Service income		1,509,659	1,439,793
Social welfare subvention	13	14,009,857	13,449,854
Subscription fee		115,620	119,665
Sundry income		194,310	313,573
		<u>41,804,323</u>	<u>39,685,519</u>
Expenditure			
Activity and programme expenses		4,617,046	5,572,946
Administration fee		31,557	83,925
Advertising and recruitment		58,965	58,235
Auditors' remuneration		94,100	88,603
Bank interest and charges		4,150	6,545
Books, newspaper and magazine		16,700	17,874
Cleaning expenses		178,447	208,574
Community chest fund programme expenses		320,652	155,768
Community care fund expenses	14	158,206	148
Consultancy fee		280,575	474,992
Course, day care and tutorial class expenses		4,496,128	4,994,407
Depreciation		640,421	587,474
Donation expenses		5,918	10,000
Flag day fund raising expenses	12	38,516	---
Food		956,986	1,068,878
Insurance		199,624	162,212
Mandatory and ORSO contribution		1,349,099	1,235,898
Membership fee		4,700	4,700
Messing expenses		43,579	101,277
Minor purchases, repair and maintenance		539,698	488,745
Motor vehicle expenses		83,521	181,091
Other service expenses		50,715	36,094
Postage		6,004	11,628
Printing and stationery		217,994	225,544
Professional fee		286,218	271,316
Rent and rates		1,495,917	1,420,961
Salaries	15	20,310,154	18,345,784
School project expenses		2,736,586	2,441,827
Special one-off grant expenses		14,896	---
Sub-contracting services		135,175	211,374
Staff Welfare		58,013	63,223
Subsidies expenses		29,148	9,679
Sundry expenses		379,401	313,693
Telephone and fax		76,501	75,781
Training expenses		310,414	189,840
Travelling		371,666	349,431
Tutor expenses		568,391	109,725
Utility expenses		456,866	460,447
		<u>41,622,647</u>	<u>40,038,639</u>
Total comprehensive surplus/(deficit) for the year		<u>181,676</u>	<u>(353,120)</u>

The notes on pages 11 to 19 form an integral part of these consolidated financial statements.

HONG KONG EVANGELICAL CHURCH SOCIAL SERVICE LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN RESERVES & FUNDS
FOR THE YEAR ENDED 31 MARCH, 2018

	General Fund HK\$	Renovation Fund HK\$	Surplus Reserve HK\$	Reserve for Future Development HK\$	Fixed Assets Fund HK\$	The Sir Robert Ho Tung Charitable Fund HK\$	Total HK\$
Balance at 1/4/2016	4,108,272	324,000	2,281,990	94,409	300,246	---	7,108,917
Total comprehensive (deficit)/surplus for the year 16/17	(1,280,584)	---	810,589	---	100,575	16,300	(353,120)
Transfer	146,000	(162,000)	16,000	---	---	---	---
Balance at 31/3/2017	2,973,688	162,000	3,108,579	94,409	400,821	16,300	6,755,797
Total comprehensive (deficit)/surplus for the year 17/18	(192,345)	---	356,119	---	34,113	(16,211)	181,676
Transfer	(414,111)	---	414,111	---	---	---	---
Balance at 31/3/2018	2,367,232	162,000	3,878,809	94,409	434,934	89	6,937,473

The notes on pages 11 to 19 form an integral part of these consolidated financial statements.

HONG KONG EVANGELICAL CHURCH SOCIAL SERVICE LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH, 2018

	Note	2018 HK\$	2017 HK\$
Cash flows from / (for) operating activities			
Operating surplus/(deficit) for the year		181,676	(353,120)
Adjustments:			
Depreciation		640,421	587,474
Interest income		(14,809)	(13,030)
Long service payment		452,956	---
Operating surplus before working capital changes		1,260,244	221,324
(Increase)/Decrease in accounts and other receivables		(663,559)	1,767,913
Decrease/(Increase) in utility deposits and prepayments		298,336	(160,603)
Increase/(Decrease) in accounts payable and accruals		915,064	(810,076)
Increase in receipt in advance		53,410	784,893
Net cash generated from operating activities		<u>1,863,495</u>	<u>1,803,451</u>
Cash flows from investing activities			
Acquisition of plant and equipment		(462,057)	(269,250)
Payment for improvement works in progress		(18,513)	(62,575)
Bank interest income received		14,809	13,030
Increase in time deposit		(12,677)	(10,242)
Net cash used in investing activities		<u>(478,438)</u>	<u>(329,037)</u>
Cash flows from financing activities			
Amounts advanced from related parties		407,780	600,000
Net cash generated from financing activities		<u>407,780</u>	<u>600,000</u>
Net increase in cash and cash equivalents		1,792,837	2,074,414
Cash and cash equivalents at the beginning of the year		<u>9,859,080</u>	<u>7,784,666</u>
Cash and cash equivalents at the end of the year	6	<u><u>11,651,917</u></u>	<u><u>9,859,080</u></u>

The notes on pages 11 to 19 form an integral part of these consolidated financial statements.

HONG KONG EVANGELICAL CHURCH SOCIAL SERVICE LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH, 2018

1. GENERAL

The Organization is a charitable organization incorporated under the Hong Kong Companies Ordinance on 28 February, 1995 as a company limited by guarantee and not having a share capital. The address of its registered office is No. 29-40, G/F., Choi Lai House, Choi Yuen Estate, Sheung Shui, New Territories, Hong Kong. These consolidated financial statements incorporate the result of the Organization and the following operating units:

Hong Kong Evangelical Church Bradbury Sheung Shui Family Centre,
Hong Kong Evangelical Church Bradbury Sheung Shui Family Centre Integrated Home Care Services Team,
Hong Kong Evangelical Church Fanling Family Centre,
Hong Kong Evangelical Church School Services Team,
Hong Kong Evangelical Church Tai Hing Neighbourhood Elderly Centre,
Hong Kong Evangelical Church Tai Hing Neighbourhood Elderly Centre (Adult Education),
Hong Kong Evangelical Church Yan Lam Community Service Centre,
Hong Kong Evangelical Church Yan Tsuen Neighbourhood Centre, and
Hong Kong Evangelical Church Zion Neighbourhood Centre

The principal activity of Organization is to provide social services through the operation of family centre, elderly centre, integrated home care services team, school services team, community service centre and neighbourhood centre.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under historical cost convention and in accordance with Hong Kong Financial Reporting Standard for Private Entities issued by the Hong Kong Institute of Certified Public Accountants and the requirement of the Hong Kong Companies Ordinance. The significant accounting policies adopted by the Organization in arriving at the financial information set out in this report are as follows:-

(a) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss, if any. The cost comprises its purchase cost and any directly attributable costs of bringing the asset to condition and location for intended use. Plant and equipment are derecognised upon disposal or written off when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on derecognised or written off of the asset, calculated as the difference between the net disposal proceeds and the carrying amount of the item, is included in the consolidated statement of comprehensive income in the year the item is derecognised.

Depreciation and amortization of plant and equipment and its related land lease premium are provided by using the straight line method, to write off their costs less their estimated residual values, over their estimated useful lives. The estimated useful lives of plant and equipment are as follows:-

Leasehold improvement	5 years
Furniture and fixture	5 years
Office equipment	4-5 years
Motor vehicle	3-4 years

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Impairment of assets

At each reporting date, plant and equipment are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(c) Accounts receivable

Accounts receivable is initially measured at fair value and, after initial recognition, at amortised cost less impairment losses for bad and doubtful debts.

At each year end date, the Organization assesses whether there is any objective evidence that a receivable or group of receivables is impaired. Impairment losses on accounts receivable is recognised in profit or loss when there is objective evidence that an impairment loss has been incurred and is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at its original effective interest rate, i.e. the effective interest rate computed at initial recognition. The impairment loss is reversed if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised.

(d) Cash and cash equivalents

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash at banks and in hand including term deposits, which are not restricted as to use.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash in hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Organization's cash management.

(e) Accounts payable and accruals

Accounts payable and accruals are initially measured at fair value and, after initial recognition, at amortised cost, except for short-term payables with no stated interest rate and the effect of discounting being immaterial that are measured at their original invoice amount.

(f) Grants and subvention

Grants and subvention are recognised at their fair value where there is reasonable assurance that the grant and subvention will be received and all attaching conditions will be complied with. When the grant and subvention relates to an expense item, it is recognised as income over the periods necessary to match the grant and subvention on a systematic basis to the costs that it is intended to compensate. Where the grant and subvention relates to an asset, the fair value is credited to deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

HONG KONG EVANGELICAL CHURCH SOCIAL SERVICE LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Reserves and funds

The natures and purposes of the Organization's reserves and funds are as follow:

- (i) General Fund represents accumulated operating surplus or deficit to be carried forward to next financial year.
- (ii) Renovation Fund represents accumulated balance of income received for the future renovation.
- (iii) Surplus Reserve represents the balance of Social Welfare Department subventions income received and expenses incurred.
- (iv) Reserve for future development represents accumulated balance of income received for future development.
- (v) Fixed assets fund represents the net book value of the Organization's plant and equipment.
- (vi) The Sir Robert Ho Tung Charitable Fund represents balance of income received and expenses incurred for providing new facility to the users of the Organization.

(h) Recognition of income

Revenue is recognized when the amount can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Organization.

- (i) Activity income, tuition fee and service income are recognised when service has been provided;
- (ii) Donation income is recognised on actual cash receipt;
- (iii) Subscription fees are recognised as income on cash basis.
- (iv) Interest income is recognised using the effective interest method.

(i) Employee benefits

Contributions to the Organization's defined contribution retirement benefits schemes are charged to the consolidated statement of comprehensive income as they fall due. Employee's annual leave is recognized when employee has provided related service to the Organization.

(j) Operating lease

Payments under operating lease are charged to the consolidated statement of comprehensive income on a straight line basis over the periods of the respective lease.

(k) Related parties

For the purpose of these consolidated financial statements, related party includes a person and entity as defined below:

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2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Related parties(continued)

- (a) A person or a close member of that person's family is related to the Organization if that person:
- (i) is a member of the key management personnel of the Organization;
 - (ii) has control over the Organization; or
 - (iii) has joint control or significant influence over the reporting entity or has significant voting power in it.
- (b) An entity is related to the Organization if any of the following conditions applies:
- (i) the entity and the Organization are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) either entity is an associate or joint venture of the other entity (or of a member of a group of which the other entity is a member).
 - (iii) both entities are joint ventures of a third entity.
 - (iv) either entity is joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Organization or an entity related to the Organization. If the reporting entity is itself such a plan, the sponsoring employers are also related to the plan.
 - (vi) the entity is controlled or jointly controlled by a person identified in (a).
 - (vii) a person identified in (a)(i) has significant voting power in the entity.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The management makes estimates, assumptions and judgments that may affect the reported amounts of revenues, expenses, assets and liabilities and other disclosures in preparation of the consolidated financial statements. However, uncertainty about these estimates, assumptions and judgments may lead to outcomes that require material adjustment to the reported carrying amounts of the assets and / or liabilities.

The management has made the following judgments and estimates which may have most significant effect on the amounts recognised in the consolidated financial statement.

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3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS(CONTINUED)

(a) Depreciation and amortisation

The Organization's accounting policy for depreciation and amortisation has been disclosed in Note 2(a) and 2(b) to the consolidated financial statements. The respective amounts are as follows:

	Note	2018 HK\$	2017 HK\$
Depreciation and amortisation	4	<u>640,421</u>	<u>587,474</u>

The management estimated that no impairment loss is required for all assets at the moment.

(b) Fair value

The management estimates that the fair values of all items stated in the Consolidated Statement of Financial Position are approximate to their carrying amounts due to short-term maturities of these assets and liabilities or no significant differences between the carrying and discounted amounts.

4. PLANT AND EQUIPMENT

	Leasehold Improvements HK\$	Furniture & Fixture HK\$	Office Equipment HK\$	Motor Vehicle HK\$	Total HK\$
<u>Cost</u>					
At 1/4/2016	4,221,372	538,062	1,488,748	185,137	6,433,319
Addition in 2016/17	<u>85,950</u>	<u>---</u>	<u>183,300</u>	<u>---</u>	<u>269,250</u>
At 31/3/2017	4,307,322	538,062	1,672,048	185,137	6,702,569
Addition in 2017/18	220,500	---	241,557	---	462,057
Written off in 2017/18	<u>(75,100)</u>	<u>(75,020)</u>	<u>(728,816)</u>	<u>---</u>	<u>(878,936)</u>
At 31/3/2018	<u>4,452,722</u>	<u>463,042</u>	<u>1,184,789</u>	<u>185,137</u>	<u>6,285,690</u>
<u>Accumulated Amortisation/Depreciation</u>					
At 1/4/2016	3,139,996	458,976	1,215,775	185,137	4,999,884
Charge in 2016/17	<u>412,578</u>	<u>42,922</u>	<u>131,974</u>	<u>---</u>	<u>587,474</u>
At 31/3/2017	3,552,574	501,898	1,347,749	185,137	5,587,358
Charge in 2017/18	456,678	30,001	153,742	---	640,421
Written off in 2017/18	<u>(75,100)</u>	<u>(75,020)</u>	<u>(728,816)</u>	<u>---</u>	<u>(878,936)</u>
At 31/3/2018	<u>3,934,152</u>	<u>456,879</u>	<u>772,675</u>	<u>185,137</u>	<u>5,348,843</u>
<u>Net Book Value</u>					
At 31/3/2018	<u>518,570</u>	<u>6,163</u>	<u>412,114</u>	<u>---</u>	<u>936,847</u>
At 31/3/2017	<u>754,748</u>	<u>36,164</u>	<u>324,299</u>	<u>---</u>	<u>1,115,211</u>

5. IMPROVEMENT WORKS IN PROGRESS

This represents progress payment for the improvement works at the Organization of which the project was approved by Social Welfare Department. Capital commitment for the improvement works was disclosed in Note 16(a) on page 18.

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6. CASH AND CASH EQUIVALENTS

	2018 HK\$	2017 HK\$
Fixed deposit (within 3 months)	1,008,295	1,006,477
Cash at banks	10,575,046	8,813,160
Cash in hand	68,576	39,443
	<u>11,651,917</u>	<u>9,859,080</u>

7. RECEIPT IN ADVANCE

	2018 HK\$	2017 HK\$
<u>Social Welfare Development Fund</u>		
Balance of SWDF b/f	267,330	541,463
Allocation from SWDF during the financial year	400,050	---
Interest received during the financial year	9	7
Expenditure under SWDF during the year		
- Expenditure for projects under scope A	(14,570)	(182,540)
- Expenditure for projects under scope B	(106,600)	(32,800)
- Expenditure for projects under scope C	(109,200)	(58,800)
Balance of SWDF c/f	<u>437,019</u>	<u>267,330</u>
<u>Others</u>		
- Hong Kong Evangelical Church Social Service Limited	19,976	---
- Hong Kong Evangelical Church Bradbury Sheung Shui Family Centre	480,120	531,821
- Hong Kong Evangelical Church Bradbury Sheung Shui Family Centre Integrated Home Care Services Team	33,781	34,893
- Hong Kong Evangelical Church Fanling Family Centre	266,716	564,649
- Hong Kong Evangelical Church School Services Team	1,821,470	1,646,676
- Hong Kong Evangelical Church Tai Hing Neighbourhood Elderly Centre	26,225	28,000
- Hong Kong Evangelical Church Yan Lam Community Service Centre	322,636	281,164
	<u>3,407,943</u>	<u>3,354,533</u>

8. AMOUNTS DUE TO RELATED PARTIES

	2018 HK\$	2017 HK\$
Hong Kong Evangelical Yan Kwong Church	3,245,326	2,725,446
Hong Kong Evangelical Yan Lam Church	1,017,900	1,130,000
	<u>4,263,226</u>	<u>3,855,446</u>

The amounts due were unsecured, non-interest bearing and repayable on demand.

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9. SURPLUS RESERVE

	2018 HK\$	2017 HK\$
Lump sum grant and TOG	2,011,855	1,695,367
Rent and rates	(145,512)	(145,337)
Provident fund	2,011,731	1,558,549
Central item	735	---
	<u>3,878,809</u>	<u>3,108,579</u>

10. COMMUNITY CHEST FUND PROGRAMME INCOME

	2018 HK\$	2017 HK\$
Time Limited Project	1,099,588	498,127
Services income	57,703	29,100
	<u>1,157,291</u>	<u>527,227</u>

11. COMMUNITY CARE FUND INCOME

	2018 HK\$	2017 HK\$
Elderly Dental Assistance Programme	4,900	2,521
Home Care and Support for Elderly Persons with Mild Impairment	124,284	---
Living Allowance for Carers of Elderly Persons from low-income families	21,000	7,512
Services income	426	---
	<u>150,610</u>	<u>10,033</u>

12. FLAG DAY FUND RAISING EVENT

	2018 HK\$	2017 HK\$
Income	654,798	---
Expenses	(38,516)	---
Net income from the event	<u>616,282</u>	<u>---</u>

The organization planned to use, and executed partly during the year, the net income received from the flag day fund raising event held on 6 May, 2017, for providing supporting services to disadvantaged families (non-subsidised project).

13. SOCIAL WELFARE SUBVENTION

	2018 HK\$	2017 HK\$
Lump sum grant	11,024,887	10,707,238
Rent and rates subvention	1,205,233	1,086,668
Provident fund	678,373	745,371
After school care programme	870,994	636,437
Social welfare development fund	230,370	274,140
	<u>14,009,857</u>	<u>13,449,854</u>

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14. COMMUNITY CARE FUND EXPENSES

	2018 HK\$	2017 HK\$
Elderly Dental Assistance Programme	654	96
Home Care and Support for Elderly Persons with Mild Impairment	4,820	---
Living Allowance for Cares of Elderly Persons from low-income families	19,020	52
Salaries	<u>133,712</u>	<u>---</u>
	<u>158,206</u>	<u>148</u>

15. SALARIES

	2018 HK\$	2017 HK\$
Salaries	19,413,727	18,345,784
Provision for long service payment	452,956	---
Provision for annual leave	<u>443,471</u>	<u>---</u>
	<u>20,310,154</u>	<u>18,345,784</u>

16. COMMITMENTS

(a) Capital commitments

	2018 HK\$	2017 HK\$
Authorized but not contracted for	2,952,477	2,952,477
Contracted but not provided for	<u>36,369</u>	<u>54,882</u>
	<u>2,988,846</u>	<u>3,007,359</u>

Social Welfare Department has approved allocation of HK\$3,277,000 to the Organization on 31 July, 2014 under the Improvement Programme of Elderly Centre. The Organization has entered into a contract with an authorized person for preparation works. The total contract amount was HK\$324,523 and the Organization has paid HK\$288,154 for the services as at 31 March, 2018. The outstanding capital commitment for the improvement programme was disclosed as above.

(b) Operating lease commitments

At 31 March, 2018, the Organization had commitments of future minimum lease payments under non-cancellable operating lease in respect of land and building as follows:-

	2018 HK\$	2017 HK\$
Payable		
-within one year	459,196	388,123
-in the second to fifth years inclusive	<u>---</u>	<u>49,900</u>
	<u>459,196</u>	<u>438,023</u>

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17. RELATED PARTIES TRANSACTIONS

During the year, the Organization had entered into the following transactions with related parties:-

Related party	Nature	Amount	
		2018 HK\$	2017 HK\$
Hong Kong Evangelical Church	Donation income	20,000	20,000
Hong Kong Evangelical Yan Lam Church	Flag day expenses	---	5,000
	Donation income	---	1,980
	Professional fee	283,563	268,661
	Amounts due to related parties (Note 8 above)	1,017,900	1,130,000
Hong Kong Evangelical Zion Church	Flag day expenses	---	5,000
	Donation income	220,000	85,771
Hong Kong Evangelical Yan Tsuen Church	Accounts payable and accrual	192,585	151,113
HKEC Elite Kindergarten	Course, day care and tuition fee	136,800	---
	Other income	---	94,027
	Accounts and other receivables	28,800	---
Hong Kong Evangelical Yan Kwong Church	Amount due to related parties (Note 8 above)	3,245,326	2,725,446
Hong Kong Evangelical Church Yan Fook Church	Sundry income	1,800	---
Hong Kong Evangelical Yan Chaak Church	Donation expenses	4,000	---
Hong Kong Evangelical Yan Yat Church	Donation expenses	1,918	---

18. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to confirm with presentation of current year. There was no net effect on the financial results stated in consolidated statement of comprehensive income.