

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, 2020**

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, 2020

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HONG KONG EVANGELICAL CHURCH SOCIAL SERVICE LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH, 2020

The directors present herewith their reports and the consolidated financial statements for the year ended 31 March, 2020.

1. CONSOLIDATED FINANCIAL STATEMENTS

The state of affairs of the Organization as at 31 March, 2020 is set out in the Consolidated Statement of Financial Position on page 9.

The overall results of the Organization for the year are set out in the Consolidated Statement of Comprehensive Income on page 10.

The Consolidated Statement of Changes in Reserves & Funds of the Organization for the year is set out on page 11.

The cash flows of the Organization for the year are set out in the Consolidated Statement of Cash Flows on page 12.

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 2019/2020, it is quite a challenging year to our self-financed service units, especially in the 2nd to 4th season, most of the self-financed service units are impacted by the upheavals due to the demonstration in 2019 and COVID-19 crisis in 2020, most of our services and also administrative procedures are suspended and delayed. In the meanwhile, 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

The members of Tai Hing Neighbourhood Elderly Centre mainly come from Tai Hing Estate in Tuen Mun and the elderly living nearby. Elderly are able to learn different new things and develop ability from our various kinds of community support services at neighbourhood level. We provide a range of comprehensive services to enable elderly persons to remain in the community, to lead a healthy, respectful and dignified life and to enhance their positive and contributing roles to the society. We also collaborate with the District Elderly Community Centre (DECC) to involve the public in building up a caring community.

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. In the meanwhile, to assist parents who cannot take care of their children because of work or other reasons, we provide a variety of after school child care services and activities, to meet the different needs of the parents and their children.

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.

Bradbury Sheung Shui Family Centre Integrated Home Care Services Team

We provide a range of community support services to the elderly persons, people with disabilities and individuals and families with social needs living in the community with a pool of experienced and professionally trained staff, and via a network of service units in the community with its collaboration and support. We provide care and support to the target service users according to their individual needs and actualize the concepts of 'Ageing in Place' and 'Continuum of Care' to enable the service users to continue living in the community.

Fanling Family Centre

The Fanling Family Centre provides family services in the spirit of Jesus Christ's love of the world and in response to the needs of residents to promote family harmony and function and personal well-being, so that residents can enjoy a rich life. We provide a spectrum of services to address the multifarious needs of individuals and families of specific localities. With the guiding principles of accessibility, early identification, integration and partnership, we support and strengthen individuals and families through delivering of services under the direction of 'child-centred, family-focused and community-based.'

Yan Lam Community Service Centre

Yan Lam Community Service Centre is located in two newly developed public housing estates—Ching Ho Estate and Cheung Lung Wai Estate. With the objective of developing the community's social capital and supporting the community forcefully, we encouraged residents to participate and enhance their social awareness through the community-funded projects sponsored by the Community Investment and Inclusion Fund (CIIF) and The Hong Kong Community Chest. We serve people of all ages to gather, to meet and to interact with the one another. Through the provision of a wide range of group and community work activities, they also contribute in strengthening the residents' civic awareness, promoting mutual care and developing a sense of belonging to the community.

HONG KONG EVANGELICAL CHURCH SOCIAL SERVICE LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH, 2020

3. BUSINESS REVIEW (CONTINUED)

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

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 neighbourhood support network and living environment of harmony and resilience successfully.

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.

Yan Tin Neighbourhood Service Centre

A newly registered service unit in Shek Kip Mei District, aimed to provide flexible supportive and developmental services to the community soon in 2021.

(b) Financial performance

Subvention from Social Welfare Department amounted to HK\$17.7 million, which has been increased by 15% or HK\$2.2 million from last year;

Donations, other funding and fund raising amounted to HK\$7.7 million, which has been decreased by 15% or HK\$1.4 million from last year;

Programme income amounted to HK\$19.3 million, which has been decreased by 21% or HK\$5.2 million from last year;

Overall programme expenditure was HK\$36.3 million, representing 84% of total expenditure;

Management and administration costs were HK\$6.8 million, representing 16% of total expenditure;

This year, the Organization recorded a decrease of 15% of the fundraising amount and also decrease of 21% of programme income; obviously, the unstable society situation, outbreak of Covid-19 and the increase of unemployment rate in Hong Kong brought us a challenging financial environment, the units need to seek more support from the public and review their operation strategy for the long-term work in development.

HONG KONG EVANGELICAL CHURCH SOCIAL SERVICE LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH, 2020

3. BUSINESS REVIEW (CONTINUED)

(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.

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	
Yeung Lan Kam	
Yip Po Yin	
Lo Lok Wa	- Appointed on 28 May, 2020
Cheung Chi Kuen	- Appointed on 28 May, 2020
Mak Lai Sim	- Resigned on 28 May, 2020
Man Chor Kwan	- Resigned on 28 May, 2020

6. DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

No transactions, arrangements or contracts of significance in relation to the Organization's activities to which the Organization was a party, and in which a director of the Organization or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

7. DIRECTORS' RIGHTS 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.

HONG KONG EVANGELICAL CHURCH SOCIAL SERVICE LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH, 2020


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


x
Chairman

Date: 4 NOV 2020

**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)

Report on the Audit of the Consolidated Financial Statements

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 9 to 23, which comprise the consolidated statement of financial position as at 31 March, 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in reserves & 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 state of affairs of the Organization as at 31 March, 2020, and of its surplus and 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 accordance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") 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.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the report of the directors, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

T. S. LAM & CO.

Certified Public Accountants (Practising)

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

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 HKSAs 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, 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 HKSAs, 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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
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)

- 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.

Report on Other Legal and Regulatory Requirements

The Organization has complied with the requirements as stipulated by Social Welfare Department and Community Care Fund on implementing the Community Care Fund Assistance Programme.


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

4 NOV 2020

HONG KONG EVANGELICAL CHURCH SOCIAL SERVICE LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH, 2020

	Note	2020 HK\$	2019 HK\$
ASSETS AND LIABILITIES			
Non-current assets			
Plant and equipment	4	3,586,758	3,207,096
Current assets			
Accounts and other receivables		2,908,887	3,336,101
Deposits and prepayments		571,559	589,610
Time deposit		800,000	1,533,359
Cash and cash equivalents	5	13,805,821	13,024,855
		18,086,267	18,483,925
Current liabilities			
Accounts payable and accruals		1,626,434	2,900,669
Receipt in advance	6	2,466,455	3,243,969
Amounts due to related parties	7	4,585,446	4,643,601
		8,678,335	10,788,239
Net current assets		9,407,932	7,695,686
Non-current liabilities			
Provision for long service payment		1,115,310	649,705
Net assets		11,879,380	10,253,077
RESERVES & FUNDS			
General fund		2,729,965	3,119,979
Renovation fund		---	---
Surplus reserve	8	6,158,166	4,460,467
Reserve for future development		94,409	94,409
Fixed assets fund		2,702,867	2,356,364
The Sir Robert Ho Tung charitable fund		89	89
Charitable activities reserve		193,884	221,769
Total reserves & funds		11,879,380	10,253,077

Approved and authorized for issue by the Board of Directors on 4 NOV 2020 and signed for
and on behalf of the Board by



Yeung Lan Kam
Chairman



Chan Yu Sang
Director

The notes on pages 13 to 23 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, 2020

	Note	2020 HK\$	2019 HK\$
Income			
Activity income		1,071,605	4,139,194
Bank interest income		43,188	23,716
Beat drugs fund income		515,638	215,955
Community chest fund programme income	9	1,145,649	1,438,174
Community care fund assistance programme income	10	798,953	633,829
Course, day care and tuition fee		7,649,859	9,747,571
Donation income		895,359	972,970
Flag day fund raising income	11	704,643	727,336
Other grants and subvention		3,539,955	5,083,030
Programme income		232,325	207,775
Special one-off grant		127,318	48,200
School project fee		8,531,957	8,459,599
Service income		1,597,725	1,656,448
Social welfare subvention	12	17,757,831	15,500,677
Subscription fee		90,525	112,175
Sundry income		118,125	199,376
		<u>44,820,655</u>	<u>49,166,025</u>
Expenditure			
Activity and programme expenses		2,988,161	6,275,570
Administration fee		10,790	61,010
Advertising and recruitment		78,612	81,622
Auditors' remuneration		103,600	99,100
Bank interest and charges		4,729	5,283
Beat drugs fund expenses		244,108	12,307
Books, newspaper and magazine		14,858	16,990
Cleaning expenses		280,283	183,930
Community chest fund programme expenses		174,514	214,381
Community care fund assistance programme expenses	10	666,253	531,436
Course, day care and tutorial class expenses		2,987,480	4,706,797
Depreciation		1,401,134	997,028
Donation expenses		5,000	10,336
Flag day fund raising expenses	11	59,021	53,556
Food		1,046,083	988,613
Insurance		213,419	195,529
Mandatory and ORSO contribution		1,645,693	1,608,746
Membership fee		4,980	4,700
Messing expenses		63,291	98,534
Minor purchases, repair and maintenance		633,424	583,620
Motor vehicle expenses		28,705	59,354
Other service expenses		874,501	141,596
Postage		7,331	9,026
Printing and stationery		173,359	201,097
Professional and religious fee		286,318	286,318
Rent and rates		1,780,270	1,508,602
Salaries	13	22,348,088	22,221,822
School project expenses		1,650,860	2,001,522
Special one-off grant expenses		116,365	31,458
Sub-contracting services		586,112	138,564
Staff welfare		80,585	33,139
Sundry expenses		455,561	386,697
Telephone and fax		82,939	89,912
Training expenses		194,885	158,577
Travelling		326,374	374,008
Tutor expenses		1,145,133	1,019,069
Utility expenses		431,533	460,572
		<u>43,194,352</u>	<u>45,850,421</u>
Total comprehensive surplus for the year		<u>1,626,303</u>	<u>3,315,604</u>

The notes on pages 13 to 23 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, 2020

	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\$	Charitable activities reserve HK\$	Total HK\$
Balance at 1/4/2018	2,367,232	162,000	3,878,809	94,409	434,934	89	---	6,937,473
Total comprehensive surplus for the year 2018/19	847,711	---	485,761	---	1,921,430	---	60,702	3,315,604
Transfers	(94,964)	(162,000)	95,897	---	---	---	161,067	---
Balance at 31/3/2019	3,119,979	---	4,460,467	94,409	2,356,364	89	221,769	10,253,077
Total comprehensive (deficit)/surplus for the year 2019/20	(294,014)	---	1,601,699	---	346,503	---	(27,885)	1,626,303
Transfer	(96,000)	---	96,000	---	---	---	---	---
Balance at 31/3/2020	2,729,965	---	6,158,166	94,409	2,702,867	89	193,884	11,879,380

The notes on pages 13 to 23 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, 2020

	Note	2020 HK\$	2019 HK\$
Cash flows from / (for) operating activities			
Operating surplus for the year		1,626,303	3,315,604
Adjustments:			
Depreciation		1,401,134	997,028
Bank interest income		(43,188)	(23,716)
Provision for long service payment		465,605	196,749
Operating surplus before working capital changes		3,449,854	4,485,665
Changes in working capital:-			
Decrease/(Increase) in accounts and other receivables		427,214	(1,301,333)
Decrease in deposits and prepayments		18,051	184,556
(Decrease)/Increase in accounts payable and accruals		(1,274,235)	753,496
Decrease in receipt in advance		(777,514)	(163,974)
Net cash generated from operating activities		1,843,370	3,958,410
Cash flows from / (for) investing activities			
Acquisition of plant and equipment		(1,780,796)	(2,979,123)
Bank interest received		43,188	23,716
Decrease/(Increase) in time deposit		733,359	(10,440)
Net cash used in investing activities		(1,004,249)	(2,965,847)
Cash flows from / (for) financing activities			
Amounts (repaid to)/advanced from related parties		(58,155)	380,375
Net cash (used in)/generated from financing activities		(58,155)	380,375
Net increase in cash and cash equivalents		780,966	1,372,938
Cash and cash equivalents at the beginning of the year		13,024,855	11,651,917
Cash and cash equivalents at the end of the year	5	13,805,821	13,024,855

The notes on pages 13 to 23 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, 2020

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 results 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,
Hong Kong Evangelical Church Zion Neighbourhood Centre, and
Hong Kong Evangelical Church Yan Tin Neighbourhood Service Centre

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.

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 derecognized 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 derecognized 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 derecognized.

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 improvements	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.

HONG KONG EVANGELICAL CHURCH SOCIAL SERVICE LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH, 2020

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 recognized 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 recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

(c) Accounts receivable

Accounts receivable are initially measured at fair value and, after initial recognition, at amortized 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 are recognized 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 recognized.

(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 amortized 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) Grant and subvention

Grant and subvention are recognized 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 relate to an expense item, it is recognized 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 relate 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, 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Reserves and funds

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

- (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.
- (vii) Charitable activities reserve represents the balance of income received and expenses incurred for providing emergency assistance for elderly.

(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 recognized when service has been provided;
- (ii) Donation income is recognized on actual cash receipt;
- (iii) Subscription fee is recognized as income on cash basis.
- (iv) Bank interest income is recognized 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:

HONG KONG EVANGELICAL CHURCH SOCIAL SERVICE LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH, 2020

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 JUDGMENTS

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 recognized in the consolidated financial statement.

HONG KONG EVANGELICAL CHURCH SOCIAL SERVICE LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH, 2020

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS(CONTINUED)

(a) Depreciation and amortization

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

	Note	2020 HK\$	2019 HK\$
Depreciation and amortization	4	1,401,134	997,028

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

(b) Fair values

The management estimates that the fair values of all items stated in the Consolidated Statement of Financial Position, except plant and equipment which are stated at cost less accumulated depreciation, 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 1/4/2018	4,452,722	463,042	1,184,789	185,137	6,285,690
Addition in 2018/19	2,409,620	---	569,503	---	2,979,123
Transferred from improvement works in progress	288,154	---	---	---	288,154
At 31/3/2019	7,150,496	463,042	1,754,292	185,137	9,552,967
Addition in 2019/20	1,119,461	2,580	320,153	338,602	1,780,796
At 31/3/2020	8,269,957	465,622	2,074,445	523,739	11,333,763
<u>Accumulated Amortization/Depreciation</u>					
At 1/4/2018	3,934,152	456,879	772,675	185,137	5,348,843
Charge in 2018/19	700,142	4,099	292,787	---	997,028
At 31/3/2019	4,634,294	460,978	1,065,462	185,137	6,345,871
Charge in 2019/20	931,137	2,579	354,551	112,867	1,401,134
At 31/3/2020	5,565,431	463,557	1,420,013	298,004	7,747,005
<u>Net Book Value</u>					
At 31/3/2020	2,704,526	2,065	654,432	225,735	3,586,758
At 31/3/2019	2,516,202	2,064	688,830	---	3,207,096

HONG KONG EVANGELICAL CHURCH SOCIAL SERVICE LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH, 2020

5. CASH AND CASH EQUIVALENTS

	2020 HK\$	2019 HK\$
Fixed deposit (within 3 months)	911,937	1,017,776
Cash at banks	12,872,840	11,963,294
Cash in hand	21,044	43,785
	<u>13,805,821</u>	<u>13,024,855</u>

6. RECEIPT IN ADVANCE

	2020 HK\$	2019 HK\$
Social Welfare Development Fund-Phase 2 (Appendix 1A)	51,533	51,533
Social Welfare Development Fund-Phase 3 (Appendix 1B)	634,477	630,014
Activity income	1,119,154	381,804
Beat drugs fund	---	304,477
Course, day care and tuition fee	14,273	535,552
Flag day fund raising income	---	28,855
Other grants and subvention	456,343	791,616
School project fee	121,301	456,022
Service income	48,849	43,371
Subscription fee	20,525	20,725
	<u>2,466,455</u>	<u>3,243,969</u>

7. AMOUNTS DUE TO RELATED PARTIES

	2020 HK\$	2019 HK\$
Hong Kong Evangelical Yan Kwong Church	3,445,446	3,413,446
Hong Kong Evangelical Yan Lam Church	1,140,000	1,230,155
	<u>4,585,446</u>	<u>4,643,601</u>

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

8. SURPLUS RESERVE

	2020 HK\$	2019 HK\$
Lump sum grant and TOG	3,961,814	2,399,068
Rent and rates	(279,628)	(118,215)
Provident fund	2,430,695	2,178,879
Central item	45,285	735
	<u>6,158,166</u>	<u>4,460,467</u>

HONG KONG EVANGELICAL CHURCH SOCIAL SERVICE LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH, 2020

9. COMMUNITY CHEST FUND PROGRAMME INCOME

	2020 HK\$	2019 HK\$
Time Limited Project	1,093,474	1,399,249
Services income	52,175	38,925
	<u>1,145,649</u>	<u>1,438,174</u>

10. COMMUNITY CARE FUND ASSISTANCE PROGRAMME

	2020 HK\$	2019 HK\$
<u>Income</u>		
Home Care and Support for Elderly Persons with Mild Impairment (Appendix 2)	746,089	601,162
Living Allowance for Carers of Elderly Persons from Low-Income Families (Appendix 2)	43,470	23,893
Elderly Dental Assistance Programme	9,394	8,774
	<u>798,953</u>	<u>633,829</u>
<u>Expenses</u>		
Home Care and Support for Elderly Persons with Mild Impairment (Appendix 2)	(630,440)	(506,441)
Living Allowance for Carers of Elderly Persons from Low-Income Families (Appendix 2)	(35,291)	(24,735)
Elderly Dental Assistance Programme	(522)	(260)
	<u>(666,253)</u>	<u>(531,436)</u>
Surplus for the year	<u>132,700</u>	<u>102,393</u>

11. FLAG DAY FUND RAISING EVENT

	2020 HK\$	2019 HK\$
Income	704,643	727,336
Expenses	(59,021)	(53,556)
Net income from the event	<u>645,622</u>	<u>673,780</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 April, 2019, for providing supporting services to disadvantaged families (non-subsidised project).

HONG KONG EVANGELICAL CHURCH SOCIAL SERVICE LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH, 2020

12. SOCIAL WELFARE SUBVENTION

	2020 HK\$	2019 HK\$
Lump sum grant	14,115,238	12,594,205
Rent and rates subvention	1,852,957	1,179,227
Provident fund		
-6.8% and other posts	812,296	718,824
-snapshot staff	161,378	128,918
After school care programme	506,217	790,913
Social welfare development fund	183,350	88,590
Central item	126,395	---
	<u>17,757,831</u>	<u>15,500,677</u>

13. SALARIES

	2020 HK\$	2019 HK\$
Salaries	22,410,040	22,367,638
Provision for long service payment	465,605	196,749
Provision for annual leave	(12,805)	56,663
	<u>22,862,840</u>	<u>22,621,050</u>
Less: Salaries and allowances included in Community Care Fund Assistance Programme (Appendix 2)	(514,752)	(399,228)
Total	<u>22,348,088</u>	<u>22,221,822</u>

14. COMMITMENTS

(a) Capital commitments

	2020 HK\$	2019 HK\$
Authorized but not contracted for	---	---
Contracted but not provided for	---	867,825
	<u>---</u>	<u>867,825</u>

The Organization has entered into a contract in 2018 with authorized person for renovation works under the Improvement Programme of Elderly Centres approved by Social Welfare Department. The total contract amount was HK\$3,097,198 and the renovation works were completed on 15 May, 2018. No outstanding capital commitment for the improvement programme was disclosed as at 31 March, 2020.

HONG KONG EVANGELICAL CHURCH SOCIAL SERVICE LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH, 2020

14. COMMITMENTS (CONTINUED)

(b) Operating lease commitments

At 31 March, 2020, the Organization had commitments of future minimum lease payments under non-cancellable operating lease in respect of land and building as follows:-

	2020 HK\$	2019 HK\$
Payable		
-within one year	657,752	523,398
-in the second to fifth years inclusive	---	140,000
	<u>657,752</u>	<u>663,398</u>

15. RELATED PARTIES TRANSACTIONS

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

Related parties	Nature	Amounts	
		2020 HK\$	2019 HK\$
Hong Kong Evangelical Church	Donation income	22,000	22,000
Hong Kong Evangelical Yan Lam Church	Course, day care and tuition fee	50,000	66,770
	Other service expenses	50,000	33,385
	Professional and religious fee	283,563	283,563
	Balance of amount due to related party (Note 7 above)	1,140,000	1,230,155
	Donation expenses	---	5,000
Hong Kong Evangelical Zion Church	Donation income	9,000	9,000
	Activity and programme expenses	5,250	---
Hong Kong Evangelical Church Yan Tsuen Church	Accounts payable and accruals	168,068	133,537
	Donation income	40,000	---
HKEC Elite Kindergarten	Course, day care and tuition fee	322,000	392,200
	Accounts and other receivables	---	13,200
Hong Kong Evangelical Yan Kwong Church	Balance of amount due to related party (Note 7 above)	3,445,446	3,413,446
	Donation income	30,300	32,000
Hong Kong Evangelical Church Yan Fook Church	Sundry income	24,000	14,000
Hong Kong Evangelical Yan Yat Church	Donation expenses	5,000	4,834

Name of NGO : Hong Kong Evangelical Church Social Service Limited

Code of NGO : 316

Use of the Social Welfare Development Fund (SWDF) funded by Lotteries Fund

For the Financial Years 2016/17 to 2019/20

(A) Phase 2

	2019/2020	2018/2019	2017/2018	2016/2017
	HK\$	HK\$	HK\$	HK\$
Balance of SWDF brought forward:	51,533	51,533	267,330	541,463
Allocation from SWDF during the financial year:	-	-	-	-
Interest received during the financial year:	-	-	3	7
Expenditure under SWDF during the year:				
1. Expenditure for projects under scope A	-	-	-	(182,540)
2. Expenditure for projects under scope B(non-IT)	-	-	(106,600)	(32,800)
3. Expenditure for projects under scope B(IT)	-	-	-	-
4. Expenditure for projects under scope C	-	-	(109,200)	(58,800)
5. Expenditure for administrative support	-	-	-	-
Total expenditure during the financial year :	-	-	(215,800)	(274,140)
Balance carried forward to the next financial year:	51,533	51,533	51,533	267,330

(B) Phase 3

	2019/2020	2018/2019	2017/2018	2016/2017
	HK\$	HK\$	HK\$	HK\$
Balance of SWDF brought forward:	630,014	385,486	-	-
Allocation from SWDF during the financial year:	187,200	332,750	400,050	-
Interest received during the financial year:	613	368	6	-
Expenditure under SWDF during the year:				
1. Expenditure for projects under scope A	(58,350)	(75,590)	(14,570)	-
2. Expenditure for projects under scope B(non-IT)	(92,000)	-	-	-
3. Expenditure for projects under scope B(IT)	-	-	-	-
4. Expenditure for projects under scope C	-	-	-	-
5. Expenditure for administrative support	(33,000)	(13,000)	-	-
Total expenditure during the financial year :	(183,350)	(88,590)	(14,570)	-
Balance carried forward to the next financial year:	634,477	630,014	385,486	-

The above expenditures under the SWDF have been incurred in accordance with the requirements stipulated in SWDF Guidance Notes for Application, SWD's approval letter(s) and the procurement of projects and services are in line with the procedures specified in the Lotteries Fund Manual.

HONG KONG EVANGELICAL CHURCH SOCIAL SERVICE LIMITED
COMMUNITY CARE FUND ASSISTANCE PROGRAMME
FOR THE YEAR ENDED 31 MARCH, 2020

During the year, the Organization has implemented two Community Care Fund ("CCF") assistance programmes. According to the requirement of CCF, the Organization is required to disclose the income and expenditure for each programme in its consolidated financial statements.

i) CCF-Pilot scheme on Home Care and Support for Elderly Persons with Mild Impairment

	2020 HK\$	2019 HK\$	2018 HK\$	2017 HK\$
Income				
Subsidy from CCF	733,066	588,281	124,284	---
Fees income received from participants	13,023	12,881	23	---
	<u>746,089</u>	<u>601,162</u>	<u>124,307</u>	<u>---</u>
Expenditure				
Salaries and allowances	490,236	399,228	127,344	---
Provident fund contributions	24,516	19,968	6,368	---
Stores and equipment	---	6,299	3,500	---
Programme expenses	115,688	80,862	1,320	---
Transportation and travelling	---	84	---	---
	<u>630,440</u>	<u>506,441</u>	<u>138,532</u>	<u>---</u>
Surplus / (Deficit) for the year	115,649	94,721	(14,225)	---
Surplus / (Deficit) brought forward from previous year	80,496	(14,225)	---	---
	<u>196,145</u>	<u>80,496</u>	<u>(14,225)</u>	<u>---</u>
Balance at the end of year	<u>196,145</u>	<u>80,496</u>	<u>(14,225)</u>	<u>---</u>

ii) CCF-Pilot scheme on living allowance for carers of elderly persons from low income families

	2020 HK\$	2019 HK\$	2018 HK\$	2017 HK\$
Income				
Subsidy from CCF	43,440	23,800	21,000	7,500
Other income	30	93	41	12
	<u>43,470</u>	<u>23,893</u>	<u>21,041</u>	<u>7,512</u>
Expenditure				
Salaries and allowances	33,000	22,800	17,100	---
Provident fund contributions	1,650	1,140	855	---
Miscellaneous	641	795	1,065	52
	<u>35,291</u>	<u>24,735</u>	<u>19,020</u>	<u>52</u>
Surplus / (Deficit) for the year	8,179	(842)	2,021	7,460
Surplus brought forward from previous year	8,639	9,481	7,460	---
	<u>16,818</u>	<u>8,639</u>	<u>9,481</u>	<u>7,460</u>
Balance at the end of year	<u>16,818</u>	<u>8,639</u>	<u>9,481</u>	<u>7,460</u>