



The Child Development Centre

明德兒童啟育中心
(Limited by Guarantee)

Annual Financial Report
Unit 498
31 March 2023



INDEPENDENT AUDITOR'S ASSURANCE REPORT

To the Executive Committee of The Child Development Centre ("the Centre")

We have audited the financial statements of the Centre for the year ended 31 March 2023 in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and have issued an unmodified auditor's report thereon dated **26 OCT 2023**

Pursuant to the Lump Sum Grant ("LSG") Manual issued by the Social Welfare Department of the Government of the Hong Kong Special Administrative Region ("SWD"), we have been requested to issue this assurance report in connection with the Annual Financial Report ("AFR") of the Centre for the year ended 31 March 2023.

Responsibilities of the Executive Committee

In relation to this report, the Executive Committee is responsible for ensuring the AFR of the Centre for the year ended 31 March 2023 is properly prepared in accordance with the relevant accounting and financial reporting requirements set out in the LSG Manual and other instructions issued by the SWD; and the use of the funds from the LSG by the NGO has complied with the purposes as specified in the LSG Manual and other instructions issued by the SWD.

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of *the Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's Responsibility

Our responsibility is to form a conclusion, based on our engagement, and to report our conclusion to you.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and with reference to Practice Note ("PN") 851 (Revised), *Reporting on the Annual Financial Reports of Non-governmental Organisations* issued by the HKICPA. We have planned and performed our work to obtain reasonable assurance for giving conclusion 1 and obtain limited assurance for giving conclusion 2 below.

The work undertaken in connection with this engagement is less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

In relation to our conclusion 1 below, we have planned and performed such procedures as we considered necessary with reference to the procedures recommended in PN 851 (Revised), to satisfy ourselves that the AFR has been properly prepared, in all material respects, in accordance with the relevant accounting and financial reporting requirements set out in the LSG Manual and other instructions issued by the SWD.

**INDEPENDENT AUDITOR'S ASSURANCE REPORT
To the Executive Committee of The Child Development Centre ("the Centre") (continued)**

In relation to our conclusion 2 below, we have obtained an understanding in respect of the purposes of the use of the funds as specified in the LSG Manual and other instructions issued by the SWD and obtaining an understanding of the control procedures. We are not required to perform any procedures to search for instances of the use of funds from the LSG by the Centre being non-complied with the specified purposes. Our work was limited to reporting non-compliances identified as a result of the procedures performed in relation to conclusion 2 and during the normal course of our work relating to conclusion 1. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Conclusion

- 1 In our opinion, the AFR of the Centre for the year ended 31 March 2023 is properly prepared, in all material respects, in accordance with the relevant accounting and financial reporting requirements set out in the LSG Manual and other instructions issued by the SWD.
- 2 Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the use of the funds from the LSG by the Centre has not complied, in all material respects, with the purposes as specified in the LSG Manual and other instructions issued by the SWD.

Intended Users and Purpose

This report is intended solely for submission by the Centre to the SWD and is not intended to be, and should not be, used for any other purpose. We agree that a copy of this report may be provided to the SWD without further comment from us.



Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

26 OCT 2023

ANNUAL FINANCIAL REPORT

NGO: THE CHILD DEVELOPMENT CENTRE

1 April 2022 to 31 March 2023

| | Notes | 2022-23 \$ | 2021-22 \$ |
|--|-------|---------------|---------------|
| A. INCOME | | | |
| 1. Lump Sum Grant | | 8,314,537 | 8,196,600 |
| a. Lump Sum Grant (excluding Provident Fund) | 1b | 7,816,148 | 7,705,454 |
| b. Provident Fund | 1c | 498,389 | 491,146 |
| 2. Fee Income | 2 | 118,200 | 14,800 |
| 3. Central Items | 3 | 621,978 | 878,083 |
| 4. Rent and Rates | 4 | 1,377,389 | 1,377,389 |
| 5. Other Income | 5 | - | - |
| 6. Interest Received | | 849 | - |
| TOTAL INCOME | | 10,432,953 | 10,466,872 |
| B. EXPENDITURE | | | |
| 1. Personal Emoluments | | | |
| a. Salaries | | 6,828,053 | 7,672,492 |
| b. Provident Fund | 1c | 285,568 | 306,177 |
| c. Allowances | | - | - |
| Sub-total | 6 | 7,113,621 | 7,978,669 |
| 2. Other Charges | 7 | 496,309 | 47,762 |
| 3. Central Items | 3 | 993,189 | 821,576 |
| 4. Rent and Rates | 4 | 734,152 | 1,377,389 |
| TOTAL EXPENDITURE | | 9,337,271 | 10,225,396 |
| C. SURPLUS FOR THE YEAR | 8 | 1,095,682 | 241,476 |

The Annual Financial Report from pages 4 to 11 has been prepared in accordance with the requirements as set out in the Lump Sum Grant Manual.

SIGNATURE



POSITION: Vice Chairperson
DATE: 26 OCT 2023

SIGNATURE



POSITION: Chief Executive
DATE: 26 OCT 2023

NOTES ON THE ANNUAL FINANCIAL REPORT

1. Lump Sum Grant (LSG)

- a. Basis of preparation** The Annual Financial Report (AFR) is prepared in respect of all Funding and Service agreement (FSA) activities (including support services to FSA activities) funded by the Social Welfare Department under the Lump Sum Grant Subvention System. AFR is prepared **on cash basis**, that is, income is recognised upon receipt of cash and expenditure is recognised when expenses are paid. **Non-cash items** such as depreciation, provisions and accruals **have not been included** in the AFR.
- b. Lump Sum Grant (excluding Provident Fund)** This represents LSG (excluding Provident Fund) received for the year.
- c. Provident Fund** This is Provident Fund received and contributed during the year. Snapshot staff are defined as those staff occupying recognised or holding against subvented posts as at 1 April 2000. 6.8% and other posts represent those staff that are employed after 1 April 2000. The Provident Fund received and contributed for staff under the Central Items which are separately included as part of the income and expenditure of the relevant items have been shown under Note 3. Details are analysed below:

| <u>Provident Fund Contribution</u> | 6.8% and Other Posts \$ | Total \$ |
|--|--|---------------------|
| Subvention Received | 498,389 | 498,389 |
| Provident Fund Contribution Paid during the Year | (285,568) | (285,568) |
| Surplus for the Year | 212,821 | 212,821 |
| Add: Surplus b/f | 441,491 | 441,491 |
| Additional subvention received for previous year(s) | | |
| Less: MPF – Staff Bonus for school year | (201,100) | (201,100) |
| Surplus c/f | 453,212 | 453,212 |

2. Fee Income

This represents social welfare fee income received for the year in respect of the fees and charges recognised for the purpose of subvention as set out in the LSG Manual.

3. Central Items

These are subsidies allocated to NGOs for specified purposes on a recurrent, time-limited or one-off basis which are not included in LSG and are subject to their own procedures as set out in other SWD's papers and correspondence with the NGOs. Any surplus, which is not allowed to be offset by any deficit of another item, is subject to claw-back by SWD according to the terms and conditions of individual central items. The Provident Fund received and contributed for staff under the Central Items have been separately included as part of the income and expenditure of the relevant items (paragraph 3.14 of the LSG Manual). The income and expenditure of each of the Central Items are as follow:

| | 2022-23 \$ | 2021-22 \$ |
|--|----------------|----------------|
| a. Income | | |
| Training Subsidy Programme for Children on the Waiting List for Subvented Pre-school Rehabilitation Services | 411,978 | 738,083 |
| Subsidy for Enhance Support for Ethnic Minority Children in Special Early Education and Training Centre | 210,000 | 140,000 |
| Total | <u>621,978</u> | <u>878,083</u> |
| | | |
| | 2022-23 \$ | 2021-22 \$ |
| b. Expenditure | | |
| Training Subsidy Programme for Children on the Waiting List for Subvented Pre-school Rehabilitation Services | 797,072 | 745,061 |
| Subsidy for Enhance Support for Ethnic Minority Children in Special Early Education and Training Centre | 196,117 | 76,515 |
| Total | <u>993,189</u> | <u>821,576</u> |

4. Rent and Rates

This represents the amount paid by SWD in respect of premises recognised by SWD. Expenditure on rent and rates in respect of premises not recognised by SWD have not been included in AFR.

5. Other Income

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

6. Personal Emoluments

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

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

| Analysis of Personal Emoluments paid under LSG | No of Posts | \$ |
|--|-------------|---------|
| HK\$700,001 - HK\$800,000 p.a. | - | - |
| HK\$800,001 - HK\$900,000 p.a. | 1 | 871,671 |
| HK\$900,001 - HK\$1,000,000 p.a. | - | - |
| HK\$1,000,001 - HK\$1,100,000 p.a. | - | - |
| HK\$1,100,001 - HK\$1,200,000 p.a. | - | - |
| >HK\$1,200,000 p.a. | - | - |

7. Other Charges

The breakdown on Other Charges is as follows:

| | 2022-23 \$ | 2021-22 \$ |
|--|----------------|---------------|
| Other Charges | | |
| (a) Utilities | 75,637 | 47,762 |
| (b) Food | - | - |
| (c) Administrative Expenses | 178,197 | - |
| (d) Stores and Equipment | - | - |
| (e) Repair and Maintenance | - | - |
| (f) Special Allowances | - | - |
| (g) Programme Expenses | 20,243 | - |
| (h) Transportation and Travelling | 1,183 | - |
| (i) Insurance | 122,661 | - |
| (j) Miscellaneous | 98,388 | - |
| Sub-Total | 496,309 | 47,762 |
| Less: Utilised allocation under CI: ASCP / Enhanced ASCP / ASCP(PC) – FWSS* which forms as part of Other Income to fund the operating expenses of FSA-related activities | - | - |
| Total | 496,309 | 47,762 |

* For those programmes which are regarded as FSA services/ FSA-related activities only

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

| | Lump Sum Grant (LSG) | Rent and Rates | Central Items | Total |
|---|----------------------|------------------|------------------|-------------------|
| | \$ | \$ | \$ | \$ |
| Income | | | | |
| Lump Sum Grant | 8,314,537 | - | - | 8,314,537 |
| Fee Income | 118,200 | - | - | 118,200 |
| Other Income | - | - | - | - |
| Interest Received (Note (1)) | 849 | - | - | 849 |
| Rent and Rates | - | 1,377,389 | - | 1,377,389 |
| Central Items | - | - | 621,978 | 621,978 |
| Total Income (a) | 8,433,586 | 1,377,389 | 621,978 | 10,432,953 |
| Expenditure | | | | |
| Personal Emoluments | 7,113,621 | - | - | 7,113,621 |
| Other Charges | 496,309 | - | - | 496,309 |
| Rent and Rates | - | 734,152 | - | 734,152 |
| Central Items | - | - | 993,189 | 993,189 |
| Total Expenditure (b) | 7,609,930 | 734,152 | 993,189 | 9,337,271 |
| Surplus/(deficit) for the Year (a) - (b) | 823,656 | 643,237 | (371,211) | 1,095,682 |
| Less: Surplus of Provident Fund | (212,821) | - | - | (212,821) |
| | 610,835 | 643,237 | (371,211) | 882,861 |
| Deficit b/f (Note (2)) | - | - | (14,705) | (14,705) |
| | | | | |
| Surplus/(deficit) c/f (Note (3)) | 610,835 | 643,237 | (385,916) | 868,156 |

Notes:

- (1) Interest received on LSG (including HA) and Provident Fund reserves, rent and rates, Central Items are included as one item under LSG; and the item is considered as part of LSG reserve.
- (2) Accumulated balance of LSG Surplus b/f from previous years (including all interest received in previous years (see (1) above) and the balance of HA should be separately reported as in the surplus b/f under LSG and HA respectively.
- (3) For NGOs without HA, separate disclosure of the movement of HA in their respective AFRs is not necessary. The level of LSG cumulative reserve will be capped at 25% of the NGO's operating expenditure (i.e. Total Expenditure excluding Provident Fund Contribution) for the year.

Schedule for Central Items

Analysis of Subvention and Expenditure for the Period from 1st April 2022 to 31st March 2023

Name of Agency: The Child Development Centre (code: 498)

| Unit Code and Name/ Remittance Advice No. | (Note 7) | Subvented Element | Subvention Released (Note 1) | Reimbursement of Maternity Leave Pay (RMPLP) Scheme reimbursement received (Note 1b)# | Actual Expenditure (Note 2a) | Actual Expenditure incurred Under RMLP Scheme (Note 2b) | Surplus (Note 3) | Deficit for the Year | | | Surplus b/f (Note 5) | Refund from/(to) Government (f) | Adjustment (Note 9) | Surplus c/f (Note 6) |
|--|----------|--|------------------------------|---|------------------------------|---|------------------|----------------------|------|-----------|----------------------|---------------------------------|---------------------|----------------------|
| | | | | | | | | (a1) | (a2) | (a1)-(a2) | | | | |
| | | | \$ | | \$ | | \$ | \$ | \$ | \$ | | | | |
| 498 - The Child Development Centre | | Training Subsidy Programme for Children on the Waiting List for Subvented Pre-school Rehabilitation Services Subsidy for Enhanced Support for Ethnic Minority Children in Early Education and Training Centres | 411,978 | - | 797,072 | - | - | 385,094 | - | 385,094 | (198,847) | - | - | (583,941) |
| | | | 210,000 | - | 196,117 | - | 13,883 | - | - | - | 184,142 | - | - | 198,025 |
| | | Total | 621,978 | - | 993,189 | - | 13,883 | 385,094 | - | 385,094 | (14,705) | - | - | (385,916) |

Schedule for Central Items

Analysis of Subvention and Expenditure for the Period from 1st April 2022 to 31st March 2023

Notes:

- 1(a). The figures for the whole financial year are extracted from the payroll for March (Final) or remittance advice(s) issued by the Treasury or allocation letter(s) issued by Social Welfare Department of the financial year.
- 1(b). This amount represents any reimbursement received from the RMLP Scheme if the NGO has temporarily paid the expenditure out of the allocation from the subvented element (see Note 2(b) below).
- 2(a). Actual expenditure represents the total expenditure incurred including provident fund for the respective services after netting off (i) programme income and (ii) expenditure under RMLP Scheme mentioned in Note 2(b) below, if any.
- 2(b). This amount represents the additional four weeks' MLP (i.e. the 11th to 14th weeks) paid to the employee out of the corresponding allocation.
3. Surplus/Deficit for each element represents the difference between subvention released and actual expenditure.
4. Deficit i.r.o. the following central items arising from salary adjustment are transferred to the Lump Sum Grant Reserve as stated in SWD's letter ref. (33) in SWD/S/104/2 Pt. 18 dated 4 March 2020.
 - (i) Dementia Supplement for Elderly with Disabilities
 - (ii) Infirmary Care Supplement for the Aged Blind Persons
 - (iii) Dementia Supplement for Residential Elderly Services
 - (iv) Infirmary Care Supplement for Residential Elderly services
5. "Surplus brought forward (b/f)" means surplus, if any, arising from operations in previous years.
6. "Surplus carried forward (c/f)" means surplus brought forward less refund to Government plus surplus, if any, arising from operations in current year.
7. Unit code and name / remittance advice no. are extracted from the payroll from SWD and remittance advice from the Treasury respectively.

Schedule for Central Items

Analysis of Subvention and Expenditure for the Period from 1st April 2022 to 31st March 2023

Notes (continued):

8. The central items as listed above may not be exhaustive and any relevant details of central items released and/or expended during the year, where appropriate, should also be included.
9. For ASCP/ Enhanced ASCP, the adjustment includes the amount of expenditure overstated / (understated) in previous year(s) after taking into account the actual claw-back amount(s) per SWD's allocation letter(s), if any.
10. For NGOs with Visiting Medical Practitioner Service Team which arrange delivery of the service under the Programme to all private and self-financing RCHEs, RCHDs as well as contract homes operated by private operators only.

Schedule for Rent and Rates

Analysis of Subvention and Expenditure for the period from 01-04-2022 to 31-03-2023

Name of Agency: The Child Development Centre (code: 498)

| Unit Code and Name | Subvented Element | Subvention Released (Note 1) | Actual Expenditure | Surplus (Note 2) | Deficit (Note 2) |
|---|-------------------|------------------------------|--------------------|------------------|------------------|
| | | \$ | \$ | \$ | \$ |
| 2022/23 498 - The Child Development Centre | Rent (Note 3) | 1,337,433 | 712,770 | 624,663 | - |
| | Rates | 39,956 | 21,382 | 18,574 | - |
| | Total | 1,377,389 | 734,152 | 643,237 | - |

Notes:

1. The figures are to be extracted from the payroll for March plus subvention released in late March of the financial year. Reimbursement for rent and rates relating to previous financial year(s) (i.e. back payments) should not be included.
2. Surplus/Deficit for each element represents the difference between subvention released and actual expenditure.
3. Rent includes all kinds of rent such as PHE rental, private rental, carpark rent, management fee, building maintenance fee and Government Rent.

