

**INTERNATIONAL CHURCH OF THE  
FOURSQUARE GOSPEL  
- HONG KONG DISTRICT LIMITED**

**Reports and Financial Statements**  
For the year ended 31 March 2018

宋潤霖會計師事務所  
**William Y. L. Sung & Co.**  
*Certified Public Accountants*  
**HONG KONG**

**INTERNATIONAL CHURCH OF THE FOURSQUARE GOSPEL  
- HONG KONG DISTRICT LIMITED**

**Reports and Financial Statements**  
For the year ended 31 March 2018

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**INTERNATIONAL CHURCH OF THE FOURSQUARE GOSPEL  
- HONG KONG DISTRICT LIMITED**

**Report of the District Executive Council**

For the year ended 31 March 2018

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The district executive council present the annual report together with the audited financial statements for the year ended 31 March 2018.

**Principal activities**

The principal activities of the association are to propagate and disseminate in Hong Kong, Macau and other parts of the world the religious principles embraced in the Foursquare Gospel as presented in the "Declaration of Faith".

**Financial statements**

The surplus of the association for the year ended 31 March 2018 and the state of the association's affairs as at that date are set out in the attached financial statements.

**Property, plant and equipment**

The movements in property, plant and equipment during the year are set out in note 4 to the financial statements.

**Funds**

The movements in funds during the year are set out in statement of changes in funds.

**District executive councilors**

The district executive councilors of the association during the year and up to the date of this report were as follows:

Rev. Yuen Ip Wah

Rev. So Hok Kin

(resigned on 30 September 2017)

Mr. Chuk Wai Chun, Winston

(resigned on 31 August 2017 and re-appointed on 23 December 2017)

Rev. Kwong Tak Shing

Rev. Cheung Vee Bon

Mr. Leung Yu Chiu, Raymond

Rev. Wong Vai Chan

Mr. Kwan Kwok Wah

Ms. Fung Ching Ching

Mr. Shek Wai Shing

(appointed on 23 December 2017)

In accordance with the articles of association, the district executive councilors are on 2-year tenure and are due for retirement in the forthcoming annual general meeting and being eligible, offer themselves for re-election.

**District executive councilors' interests**

No contract of significance in relation to the association's operation to which the association was a party and in which a district executive councilor had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year.

**Management contracts**

No contracts concerning the management and administration of the whole or any substantial part of the operation of the association were entered into or existed during the year.

(continue)

**INTERNATIONAL CHURCH OF THE FOURSQUARE GOSPEL  
- HONG KONG DISTRICT LIMITED**

**Report of the District Executive Council**

For the year ended 31 March 2018

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**Business review**

The association was incorporated in Hong Kong as a company limited by guarantee and was formed with the mission as set out in the principal activities paragraph.

1) Review of the association's operations

The association engaged in the following operations during the year:

- (a) Thanks go to all members and donors. The association received offering income and donations over HK\$16 million from the general public. Overall speaking, the district executive council consider that the financial result of the year is satisfactory.
- (b) Government subvention from social welfare department of about HK\$7.4 million for providing social services.
- (c) Holding time deposits with reputable banks for earning interest income.
- (d) Letting property for generating steady rental income.

2) Principal risks and uncertainties facing the association

The district executive council consider that the principal risks and uncertainties facing the association are set out in note 15 to the financial statements.

3) Key performance indicator

The association is always committed to maximising its operating surplus with the objective to support its principal activities as set out in the principal activities paragraph. Therefore, the overall performance of the association can be indicated by the offering income and donations received as stated in the attached Statement of Comprehensive Income.

4) Key relationships that have a significant impact on the association's success

The association's success is significantly affected by the ability and performance of the employees. Therefore, the performance of the employees has been monitored continuously. On the other hand, the association has established a long term good working relationship with The Bank of East Asia, Limited and The Hongkong and Shanghai Banking Corporation Limited, which have been offering good banking services and attractive interest rates for time deposits for long time. The district executive council believe that keeping such good relationship will benefit the association in the long run.

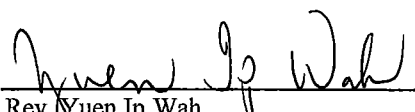
5) The association's environmental policies and compliance with the relevant laws

Across the association, the association applies the principles of reduce, reuse, repair and recycle to minimise its environmental impacts.

**Auditors**

The financial statements have been audited by William Y. L. Sung & Co. who now offer themselves for re-appointment.

On behalf of the District Executive Council

  
Rev. Yuen Ip Wah  
Chairman

Hong Kong, 2 October 2018

## Independent Auditor's Report

To the members of  
**INTERNATIONAL CHURCH OF THE FOURSQUARE GOSPEL**  
**- HONG KONG DISTRICT LIMITED**  
(incorporated in Hong Kong with limited liability by guarantee)

### Opinion

We have audited the financial statements of International Church of the Foursquare Gospel - Hong Kong District Limited ("the association") set out on pages 5 to 26, which comprise the statement of financial position as at 31 March 2018, and the statement of comprehensive income, the statement of changes in funds and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the association as at 31 March 2018, and of its financial performance and its cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") 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 Financial Statements" section of our report. We are independent of the association 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 financial statements and auditor's report thereon

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

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

### Responsibilities of district executive council and those charged with governance for the financial statements

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

In preparing the financial statements, the district executive council are responsible for assessing the association'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 district executive council either intend to liquidate the association or to cease operations, or have no realistic alternative but to do so.

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

(continue)

## Independent Auditor's Report

To the members of  
**INTERNATIONAL CHURCH OF THE FOURSQUARE GOSPEL**  
**- HONG KONG DISTRICT LIMITED**  
(incorporated in Hong Kong with limited liability by guarantee)

### Auditor's responsibility for the audit of the financial statements

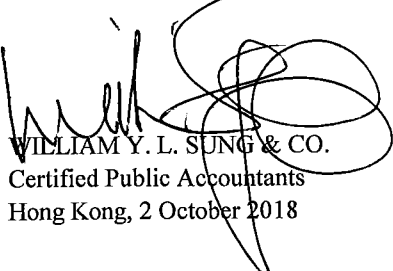
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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 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 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 association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the district executive council.
- Conclude on the appropriateness of the district executive council's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exist related to events or conditions that may cast significant doubt on the association'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 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 association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

  
WILLIAM Y. L. SUNG & CO.  
Certified Public Accountants  
Hong Kong, 2 October 2018

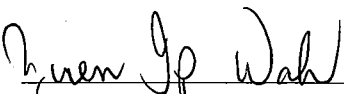
**INTERNATIONAL CHURCH OF THE FOURSQUARE GOSPEL  
- HONG KONG DISTRICT LIMITED**

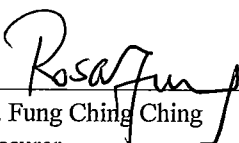
**Statement of Financial Position**

As at 31 March 2018

|                                | NOTE | 2018<br>HK\$   | 2017<br>HK\$   |
|--------------------------------|------|----------------|----------------|
| <b>Non-current assets</b>      |      |                |                |
| Property, plant and equipment  | 4    | 42,635,208.24  | 42,338,539.60  |
| <b>Current assets</b>          |      |                |                |
| Inventories                    | 5    | 153,421.16     | 85,278.20      |
| Accounts and other receivables | 6    | 394,004.39     | 960,406.82     |
| Cash and cash equivalents      | 7a   | 29,634,765.59  | 27,418,636.60  |
|                                |      | 30,182,191.14  | 28,464,321.62  |
| <b>Current liabilities</b>     |      |                |                |
| Accounts and other payables    |      | (116,310.38)   | (162,499.47)   |
| Rental deposit received        |      | (64,000.00)    | (117,180.00)   |
| Loan and advance               | 8    | (6,866,000.00) | (7,668,000.00) |
|                                |      | (7,046,310.38) | (7,947,679.47) |
| <b>Net current assets</b>      |      | 23,135,880.76  | 20,516,642.15  |
| <b>NET ASSETS</b>              |      | 65,771,089.00  | 62,855,181.75  |
| <b>Represented by:</b>         |      |                |                |
| <b>FUNDS</b>                   | 9    | 65,771,089.00  | 62,855,181.75  |

The accompanying notes form an integral part of these financial statements.

  
Rev. Yuen Ip Wah  
Chairman

  
Ms. Fung Ching Ching  
Treasurer

**INTERNATIONAL CHURCH OF THE FOURSQUARE GOSPEL  
- HONG KONG DISTRICT LIMITED**

**Statement of Comprehensive Income**  
For the year ended 31 March 2018

|  | NOTE | 2018<br>HK\$         | 2017<br>HK\$         |
|--|------|----------------------|----------------------|
| <b>Income</b>  |      |                      |                      |
| Offering income  |      | 16,171,049.29        | 17,097,398.49        |
| Special project income and donation                      |      | 334,576.20           | 211,954.40           |
| Rental income  |      | 470,085.50           | 692,692.00           |
| Designated fund received                                 |      | 172,977.10           | 871,405.40           |
| Activities income  |      | 483,338.00           | 429,177.00           |
| Membership fee received                                  |      | 43,175.00            | 49,060.00            |
| Government subvention for social services                |      | 7,379,755.00         | 7,166,201.00         |
| Fundraising income for social services                   |      | 704,274.87           | 912,822.43           |
| Bank interest received                                   |      | 117,627.08           | 84,949.34            |
| Other donations and sundry income                        |      | 1,107,060.64         | 1,193,816.83         |
|  |      | <u>26,983,918.68</u> | <u>28,709,476.89</u> |
| <b>Expenditure</b>                                       |      |                      |                      |
| Administrative expenses                                  | 10   | 21,328,073.38        | 20,603,608.74        |
| Mission expenses   |      | 683,624.52           | 796,037.40           |
| Ministry expenses  |      | 1,133,558.56         | 1,346,310.71         |
| Designated fund expenses                                 |      | 108,041.00           | 281,563.50           |
| Group, activities and programme expenses                 |      | 811,669.40           | 696,154.33           |
|  |      | <u>24,064,966.86</u> | <u>23,723,674.68</u> |
| <b>Surplus for the year</b>                              |      | 2,918,951.82         | 4,985,802.21         |
| <b>Other comprehensive (expense)/income for the year</b> |      |                      |                      |
| Net (expense)/income taken directly to funds             |      | (3,044.57)           | 788,206.97           |
| <b>Total comprehensive income for the year</b>           |      | <u>2,915,907.25</u>  | <u>5,774,009.18</u>  |

The accompanying notes form an integral part of these financial statements.



**INTERNATIONAL CHURCH OF THE FOURSQUARE GOSPEL  
- HONG KONG DISTRICT LIMITED**

**Statement of Changes in Funds**

For the year ended 31 March 2018

|  | General<br>fund<br>HK\$ | FMTI<br>fund<br>HK\$ | Mission<br>fund<br>HK\$ | Welfare<br>fund<br>HK\$ | Relief<br>fund<br>HK\$ | School funds<br>(See note 9)<br>HK\$ | Social<br>concern funds<br>(See note 9)<br>HK\$ | Total<br>HK\$ |
|--|-------------------------|----------------------|-------------------------|-------------------------|------------------------|--------------------------------------|---|---------------|
| At 1 April 2016                            | 45,387,704.05           | 147,350.72           | 585,164.84              | 567,458.68              | 308,575.20             | 5,542,034.82                         | 4,542,884.26                                    | 57,081,172.57 |
| Total comprehensive<br>income for the year | 4,985,802.21            | -                    | -                       | -                       | -                      | -                                    | 788,206.97                                      | 5,774,009.18  |
| Transfers                                  | (514,296.80)            | 472.17               | (110,276.77)            | 3,091.40                | 22,500.00              | 31,458.21                            | 567,051.79                                      | -             |
| At 31 March 2017                           | 49,859,209.46           | 147,822.89           | 474,888.07              | 570,550.08              | 331,075.20             | 5,573,493.03                         | 5,898,143.02                                    | 62,855,181.75 |
| Total comprehensive<br>income for the year | 2,918,951.82            | -                    | -                       | -                       | -                      | -                                    | (3,044.57)                                      | 2,915,907.25  |
| Transfers                                  | (143,997.08)            | 678.06               | (1,281.54)              | 3,527.00                | (51,167.70)            | 37,778.57                            | 154,462.69                                      | -             |
| At 31 March 2018                           | 52,634,164.20           | 148,500.95           | 473,606.53              | 574,077.08              | 279,907.50             | 5,611,271.60                         | 6,049,561.14                                    | 65,771,089.00 |

**INTERNATIONAL CHURCH OF THE FOURSQUARE GOSPEL  
- HONG KONG DISTRICT LIMITED**

**Statement of Cash Flows**

For the year ended 31 March 2018

|   | NOTE | 2018<br>HK\$   | 2017<br>HK\$    |
|---|------|----------------|-----------------|
| <b>Operating activities</b>                                 |      |                |                 |
| Net cash generated from operating activities                | 7b   | 5,761,881.52   | 5,811,622.11    |
| <b>Investing activities</b>                                 |      |                |                 |
| Payment for purchase of property, plant and equipment       |      | (2,743,752.53) | (12,660,056.53) |
| Increase in long term fixed deposits                        |      | (1,200,000.00) | (1,300,000.00)  |
| Net cash used in investing activities                       |      | (3,943,752.53) | (13,960,056.53) |
| <b>Financing activities</b>                                 |      |                |                 |
| (Repayment)/Inception of loan and advance, net              | 7c   | (802,000.00)   | 5,843,000.00    |
| Net cash (used in)/generated from financing activities      |      | (802,000.00)   | 5,843,000.00    |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |      | 1,016,128.99   | (2,305,434.42)  |
| <b>Cash and cash equivalents at beginning of year</b>       |      | 24,418,636.60  | 26,724,071.02   |
| <b>Cash and cash equivalents at ending of year</b>          | 7a   | 25,434,765.59  | 24,418,636.60   |

The accompanying notes form an integral part of these financial statements.

**INTERNATIONAL CHURCH OF THE FOURSQUARE GOSPEL  
- HONG KONG DISTRICT LIMITED**

**Notes to the Financial Statements**

For the year ended 31 March 2018

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**Reporting entity**

International Church of the Foursquare Gospel - Hong Kong District Limited ("the association") is a company incorporated in Hong Kong with limited liability by guarantee. The association's registered office is located at 3rd Floor, Foursquare Mansion, 215-219 Sai Yeung Choi Street North, Kowloon, Hong Kong. The principal activities of the association are to propagate and disseminate in Hong Kong, Macau and other parts of the world the religious principles embraced in the Foursquare Gospel as presented in the "Declaration of Faith".

**1 ) Association structure and basis of combination**

During the year ended 31 March 2018, the association had the following parish churches, elderly centres and schools:

a ) Parish churches:

- South China Foursquare Gospel Church
- Tai Kok Tsui Church of Foursquare Gospel
- Choi Ping Church of Foursquare Gospel
- International Church of the Foursquare Gospel Lung Hang Church
- Living Spring Foursquare Gospel Church
- Tuen Mun Church of the Foursquare Gospel
- Kin Sang Foursquare Gospel Church

b ) Elderly centres operated under Social Concern Department:

- I.C.F.G. Kin Sang Church Elderly Centre
- I.C.F.G. Lung Hang Church Elderly Centre

c ) Schools operated under School Department:

- Semple Kindergarten
- Semple Memorial Secondary School

The association is the school sponsoring body ("SSB") for the above schools. The district executive council regard that inclusion of school's financial information is not necessary as the SSB and the school's incorporated management committee are two different legal entities and the association does not involve in the school's day-to-day operation.

**2 ) Significant accounting policies**

a ) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the applicable requirements of the Hong Kong Companies Ordinance. A summary of the significant accounting policies is set out below.

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**INTERNATIONAL CHURCH OF THE FOURSQUARE GOSPEL  
- HONG KONG DISTRICT LIMITED**

**Notes to the Financial Statements**  
For the year ended 31 March 2018

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**2 ) Significant accounting policies (continued)**

**a ) Statement of compliance (continued)**

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the association. None of these developments have had a material effect on how the association's result and financial position for the current or prior periods have been prepared or presented. The association has not applied any new standard or interpretation that is not yet effective for the current accounting period.

**b ) Basis of preparation of the financial statements**

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with HKFRSs requires district executive council to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenditures. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by the district executive council in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation certainty are disclosed in note 3.

**c ) Property, plant and equipment**

Items of property, plant and equipment are stated at cost or at deemed cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to working condition and location for its intended use. Expenditure incurred after an item of property, plant and equipment has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to surplus or deficit in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, the expenditure is capitalised as an additional cost of the item. When an item of property, plant and equipment is sold or retired, its cost and accumulated depreciation are eliminated from the financial statements and any gain or loss resulting from the disposal is recognised in surplus or deficit.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives at the following annual rates:

|                                   |                     |
|-----------------------------------|---------------------|
| Properties                        | Over the lease term |
| Furniture, fixtures and equipment | 20%                 |

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**INTERNATIONAL CHURCH OF THE FOURSQUARE GOSPEL  
- HONG KONG DISTRICT LIMITED**

**Notes to the Financial Statements**  
For the year ended 31 March 2018

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**2 ) Significant accounting policies (continued)**

**d ) Impairment of assets**

**(i) Impairment of accounts and other receivables**

Accounts and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts, except where receivables are interest-free loan made to related parties without any fixed repayment term or effect of discounting would be immaterial. In such case, the receivables are stated at cost less allowance for impairment of doubtful debts.

Impairment losses for bad and doubtful debts are recognised when there is objective evidence of impairment and are measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the asset's original effective interest rate where the effect of discounting is material. Objective evidence of impairment includes observable data that comes to the attention of the association about events that have an impact on the asset's estimated future cash flows such as significant financial difficulty of the debtor.

Impairment losses for debtors included in accounts and other receivables whose recovery is considered doubtful but not remote are recorded using an allowance account. When the association is satisfied that the recovery is remote, the amount considered irrecoverable is written off against debtors directly and any amount held in the allowance account relating to that debt are reversed. Subsequent recoveries of amount previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in surplus and deficit.

**(ii) Impairment of other assets**

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- Property, plant and equipment

If any such indication exists, the asset's recoverable amount is estimated.

**Calculation of recoverable amount:**

The recoverable amount of an asset is the greater of its fair value less costs to disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

**Recognition of impairment losses:**

An impairment loss is recognised in surplus or deficit if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

(continue)

**INTERNATIONAL CHURCH OF THE FOURSQUARE GOSPEL  
- HONG KONG DISTRICT LIMITED**

**Notes to the Financial Statements**

For the year ended 31 March 2018

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**2 ) Significant accounting policies (continued)**

**d ) Impairment of assets (continued)**

**(ii) Impairment of other assets (continued)**

Reversals of impairment losses:

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to surplus or deficit in the year in which the reversals are recognised.

**e ) Inventories**

Inventories are stated at the lower of cost (using a first-in, first out basis) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

**f ) Accounts and other payables**

Accounts and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

**g ) Recognition of income**

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the association and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in surplus or deficit as follows:

- (i) Offering income, special project income and donation, designated fund received, activities income, membership fee received, other donations and sundry income as well as bank interest received are recorded on cash basis.
- (ii) Government subvention for social services is recognised when there is reasonable assurance that the association will comply with the conditions, if any, attached to them and that the subventions will be received. Subventions that compensate association for expenses incurred are recognised as income in surplus or deficit on a systematic basis in the same periods in which the expenses are incurred. Subventions that compensate the association for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in surplus or loss over the useful life of the asset by way of reduced depreciation expense.
- (iii) Fundraising income for social services is recognised when the association becomes entitled to the donations and it is probable that they will be received, which is generally upon the receipt of cash. Any surplus of receipts over expenditure on the association's activities are classified as accounts payable under current liabilities if refundable to respective donors and funds if repayment is not required by donors.
- (iv) Rental income are recorded as accrual basis.

(continue)

**INTERNATIONAL CHURCH OF THE FOURSQUARE GOSPEL  
- HONG KONG DISTRICT LIMITED**

**Notes to the Financial Statements**  
For the year ended 31 March 2018

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**2 ) Significant accounting policies (continued)**

**h ) Employee benefits**

- (i) Short term employee benefits and contributions to defined contribution retirement plans:  
Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.
- (ii) Termination benefits:  
Termination benefits are recognised at the earlier of when the association can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

**i ) Leased assets**

Assets that are held by association under leases which transfer to the association substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the association are classified as operating lease except for land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the association, or taken over from the previous leasee.

(i) Assets acquired under finance leases:

Where the association acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation and impairment losses are accounted for in accordance with accounting policy as set out in note 2c and 2d. Finance charges implicit in the lease payments are charged to surplus or deficit over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(ii) Operating leases:

Where the association has the use of assets held under operating leases, payments made under the leases are charged to surplus or deficit in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset.

**j ) Taxation**

No provision for taxation has been made in the financial statements as the association is an approved charitable institution exempted from tax under section 88 of the Inland Revenue Ordinance.

(continue)

**INTERNATIONAL CHURCH OF THE FOURSQUARE GOSPEL  
- HONG KONG DISTRICT LIMITED**

**Notes to the Financial Statements**

For the year ended 31 March 2018

---

**2 ) Significant accounting policies (continued)**

**k ) Cash and cash equivalents**

For the purpose of statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

**l ) Related parties**

(i) A person, or a close member of that person's family, is related to the association if that person:

- (1) has control or joint control over the association;
- (2) has significant influence over the association; or
- (3) is a member of the key management personnel of the association.

(ii) An entity is related to the association if any of the following conditions applies:

- (1) The entity is a post-employment benefit plan for the benefit of employees of either the association or an entity related to the association.
- (2) The entity is controlled or jointly controlled by a person identified in (i).
- (3) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (4) The entity provides key management personal services to the association.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

**3 ) Critical accounting estimates and judgements**

Estimates and judgements used in preparing the financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The association makes estimates and assumptions concerning the future. The resulting accounting estimates may not be equal to the related actual results. The estimates and assumptions that have a significant effect on the carrying amount of assets or liabilities are discussed below.

**a ) Useful lives of property, plant and equipment**

The association determines the estimated useful lives for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions.

**b ) Impairment of property, plant and equipment**

The association reviews the property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount in accordance with the accounting policy stated in note 2d. The recoverable amount of an asset or a cash-generating unit is determined based on value-in-use calculation. The value-in-use calculation requires the association to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value, which has been prepared on the basis of association's assumptions and estimates.



**INTERNATIONAL CHURCH OF THE FOURSQUARE GOSPEL  
- HONG KONG DISTRICT LIMITED**

**Notes to the Financial Statements**  
For the year ended 31 March 2018

**4 ) Property, plant and equipment**

|                           | Properties<br><i>HK\$</i> | Furniture, fixtures<br>and equipment<br><i>HK\$</i> | Total<br><i>HK\$</i> |
|---------------------------|---------------------------|---|----------------------|
| Cost or deemed cost:      |                           |   |                      |
| At 1 April 2016           | 30,022,193.00             | 11,288,134.55                                       | 41,310,327.55        |
| Additions                 | 11,913,770.00             | 746,286.53  | 12,660,056.53        |
| At 31 March 2017          | 41,935,963.00             | 12,034,421.08                                       | 53,970,384.08        |
| Additions                 | -                         | 2,743,752.53  | 2,743,752.53         |
| At 31 March 2018          | 41,935,963.00             | 14,778,173.61                                       | 56,714,136.61        |
| Accumulated depreciation: |                           |   |                      |
| At 1 April 2016           | 872,452.00                | 8,490,778.76  | 9,363,230.76         |
| Charge for the year       | 1,031,222.00              | 1,237,391.72  | 2,268,613.72         |
| At 31 March 2017          | 1,903,674.00              | 9,728,170.48  | 11,631,844.48        |
| Charge for the year       | 1,031,222.00              | 1,415,861.89  | 2,447,083.89         |
| At 31 March 2018          | 2,934,896.00              | 11,144,032.37                                       | 14,078,928.37        |
| Net carrying amount:      |                           |   |                      |
| At 31 March 2018          | 39,001,067.00             | 3,634,141.24  | 42,635,208.24        |
| At 31 March 2017          | 40,032,289.00             | 2,306,250.60  | 42,338,539.60        |

Before applying HKAS 16 "Property, plant and equipment", all property, plant and equipment were fully written off by the association as expenditure in the year of acquisition. The association applied the HKAS 16 on 1 April 2005. Based on this accounting standard, property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses.

Properties which are located at Ground floor, 1st floor and 2nd floor of Foursquare Mansion, No. 215-219 Sai Yeung Choi Street North, Kowloon are being gifts acquired by the association under memorial no. 2620761 (30 July 1984) and memorial no. 5854988 (30 September 1993).

Except for the above mentioned properties, all other properties are accounted for in accordance with accounting policies as set out in note 2c, note 2d and note 2i.

All properties are held in Hong Kong under medium-term leases.

**INTERNATIONAL CHURCH OF THE FOURSQUARE GOSPEL  
- HONG KONG DISTRICT LIMITED**

**Notes to the Financial Statements**  
For the year ended 31 March 2018

**5 ) Inventories**

|                          | 2018<br><i>HK\$</i> | 2017<br><i>HK\$</i> |
|--------------------------|---------------------|---------------------|
| Stocks (Health products) | 153,421.16          | 85,278.20           |

The amount of inventories recognised as an expense and included in surplus or deficit is HK\$510,901.89 (2017: HK\$401,299.80).

**6 ) Accounts and other receivables**

|                          | 2018<br><i>HK\$</i> | 2017<br><i>HK\$</i> |
|--------------------------|---------------------|---------------------|
| Accounts receivables     | 268,159.39          | 740,136.82          |
| Deposits and prepayments | 125,845.00          | 220,270.00          |
|                          | <u>394,004.39</u>   | <u>960,406.82</u>   |

The amount of deposits and prepayments expected to be recovered or recognised as expense after one year is HK\$123,581.00 (2017: HK\$121,731.00). All of the other receivables are expected to be recovered or recognised as expense within one year.

**7 ) Cash and cash equivalents and other cash flow information**

a ) Cash and cash equivalents comprise:

|   | 2018<br><i>HK\$</i>  | 2017<br><i>HK\$</i>  |
|---|----------------------|----------------------|
| Cash in hand  | 23,490.00            | 23,490.00            |
| Current and saving accounts                                   | 14,044,198.51        | 11,832,596.52        |
| Fixed deposits - Maturity within 3 months at acquisition      | 11,367,077.08        | 12,562,550.08        |
|   | <u>25,434,765.59</u> | <u>24,418,636.60</u> |
| Cash and cash equivalents in the statement of cash flows      | 25,434,765.59        | 24,418,636.60        |
| Fixed deposits - Maturity over 3 months at acquisition        | 4,200,000.00         | 3,000,000.00         |
|   | <u>29,634,765.59</u> | <u>27,418,636.60</u> |
| Cash and bank balances in the statement of financial position | 29,634,765.59        | 27,418,636.60        |

(continue)

**INTERNATIONAL CHURCH OF THE FOURSQUARE GOSPEL  
- HONG KONG DISTRICT LIMITED**

**Notes to the Financial Statements**  
For the year ended 31 March 2018

**7 ) Cash and cash equivalents and other cash flow information (continued)**

b ) Reconciliation of surplus to net cash generated from operating activities:

|   | 2018<br><i>HK\$</i> | 2017<br><i>HK\$</i> |
|---|---------------------|---------------------|
| Cash flows from operating activities:                 |                     |                     |
| Total comprehensive income for the year               | 2,915,907.25        | 5,774,009.18        |
| Adjustments for:                                      |                     |                     |
| Depreciation on property, plant and equipment         | 2,447,083.89        | 2,268,613.72        |
| Interest income                                       | (117,627.08)        | (84,949.34)         |
| Operating surplus before changes in working capital   | 5,245,364.06        | 7,957,673.56        |
| (Increase)/Decrease in inventories                    | (68,142.96)         | (85,278.20)         |
| (Increase)/Decrease in accounts and other receivables | 566,402.43          | 12,997.52           |
| Increase/(Decrease) in accounts and other payables    | (46,189.09)         | (2,158,720.11)      |
| Increase/(Decrease) in rental deposit received        | (53,180.00)         | -                   |
| Cash generated from operations                        | 5,644,254.44        | 5,726,672.77        |
| Interest received                                     | 117,627.08          | 84,949.34           |
| Net cash generated from operating activities          | 5,761,881.52        | 5,811,622.11        |

c ) Reconciliation of liabilities arising from financing activities:

The table below details changes in the association's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financial activities are liabilities for which cash flows were, or future cash flows will be, classified in the association's statement of cash flows as cash flows from financing activities.

|                                    | Loan and advance<br><i>HK\$</i> |
|------------------------------------|---------------------------------|
| At 1 April 2017                    | 7,668,000.00                    |
| Changes from financing cash flows: |                                 |
| Repayment of loan and advance      | (802,000.00)                    |
| At 31 March 2018                   | 6,866,000.00                    |

**8 ) Loan and advance**

The loan and advance are unsecured, interest free and repayable on demand.

**INTERNATIONAL CHURCH OF THE FOURSQUARE GOSPEL  
- HONG KONG DISTRICT LIMITED**

**Notes to the Financial Statements**

For the year ended 31 March 2018

**9 ) Funds**

Funds are defined as resources that the association has or can make available to spend for Missionary and charitable purposes. The amount of the association's funds and the movements therein for the current and prior years are presented in the statement of changes in funds.

The association's objective when managing its funds is to safeguard the association's ability to continue as a going concern in order to carry out its principal activities.

a ) FMTI fund

FMTI fund was initially set up for providing support to Foursquare Ministries Training Institute. However, the institute has been suspended.

b ) Mission fund

Mission fund is set up for providing funding for various mission activities.

c ) Welfare fund

Welfare fund represents donation received and its usage is specified by the donor for welfare purpose only.

d ) Relief fund

Relief fund represents donation received with purpose to provide ad-hoc support to those who are in emergency need.

e ) School funds

(i) ED building fund

ED building fund is set up for funding renovation expenses of Semple Kindergarten in future.

(ii) ED ministry fund

ED ministry fund is set up for funding ministry activities with preference given to education-related.

(iii) Movement and breakdown of school funds are as follows:

|                            | ED building<br>fund<br>HK\$ | ED ministry<br>fund<br>HK\$ | Total<br>HK\$ |
|----------------------------|-----------------------------|-----------------------------|---------------|
| At 1 April 2016            | 3,528,977.19                | 2,013,057.63                | 5,542,034.82  |
| Transfer from general fund | 19,763.34                   | 11,694.87                   | 31,458.21     |
| At 31 March 2017           | 3,548,740.53                | 2,024,752.50                | 5,573,493.03  |
| Transfer from general fund | 23,498.75                   | 14,279.82                   | 37,778.57     |
| At 31 March 2018           | 3,572,239.28                | 2,039,032.32                | 5,611,271.60  |

(continue)

**INTERNATIONAL CHURCH OF THE FOURSQUARE GOSPEL  
- HONG KONG DISTRICT LIMITED**

**Notes to the Financial Statements**  
For the year ended 31 March 2018

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**9 ) Funds (continued)**

f ) Social concern funds

(i) Central development fund

Central development fund represents a commitment towards long-term development work in elderly services.

(ii) Programme fund

Programme fund is used to provide funding for various projects and programmes related to social services and elderly services.

(iii) Social service development fund

Social service development fund represents a commitment towards long-term development work in social services.

(iv) Elderly service development fund

Elderly service development fund is an initial set up fund for self-financing project in future.

(v) Healthy aged square fund

Healthy aged square fund is set up for funding a project of Healthy Aged Square. Healthy Aged Square is a self-financing project which provides healthy products and services at an affordable price for the elderly. Its surplus will be reinvested in the business for the elderly services.

(vi) Provident fund reserve

Provident fund reserve represents surplus or deficit of government subvention for provident fund contribution.

(vii) Long term financial viability fund

Long term financial viability fund represents surplus of lump sum grant which is related to additional allocation received from the Social Welfare Department.

(viii) Lump sum grant reserve

Lump sum grant reserve represents surplus of lump sum grant which is not related to the additional allocation received from the Social Welfare Department.

(ix) Flag day fund

Flag day fund represents donations received less expenses from flag day events. All donations raised from these events are used for providing social services and elderly services.

(continue)

**INTERNATIONAL CHURCH OF THE FOURSQUARE GOSPEL  
- HONG KONG DISTRICT LIMITED**

**Notes to the Financial Statements  
For the year ended 31 March 2018**

9 ) Funds (continued)

f ) Social concern funds (continued)

(x) Movement and breakdown of social concern funds are as follows:

|                                    | Central<br>development<br>fund<br>HK\$ | Programme<br>fund<br>HK\$ | Social service<br>development<br>fund<br>HK\$ | Elderly service<br>development<br>fund<br>HK\$ | Healthy aged<br>square<br>fund<br>HK\$ | Provident fund<br>reserve<br>HK\$ | Long term<br>financial<br>viability fund<br>HK\$ | Lump sum<br>grant reserve<br>HK\$ | Flag day<br>fund<br>HK\$ | Total<br>HK\$ |
|------------------------------------|--|---------------------------|---|--|--|-----------------------------------|--|-----------------------------------|--------------------------|---------------|
| At 1 April 2016                    | 469,616.02                             | -                         | 475,380.93                                    | 100,000.00                                     | -                                      | 126,298.04                        | 1,705,286.92                                     | -                                 | 1,666,302.35             | 4,542,884.26  |
| Surplus/(Deficit)<br>for the year  | 14,551.90                              | 135,176.80                | -   | (100,000.00)                                   | 478,478.27                             | -                                 | 260,000.00                                       | -                                 | -                        | 788,206.97    |
| Transfer from<br>general fund      | -                                      | -                         | -   | -  | -                                      | 60,523.94                         | 88,499.95  | -                                 | 418,027.90               | 567,051.79    |
| At 31 March 2017                   | 484,167.92                             | 135,176.80                | 475,380.93                                    | -  | 478,478.27                             | 186,821.98                        | 2,053,786.87                                     | -                                 | 2,084,330.25             | 5,898,143.02  |
| Surplus/(Deficit)<br>for the year  | 11,941.60                              | (72,776.80)               | -   | 189,600.00                                     | (391,809.37)                           | -                                 | 260,000.00                                       | -                                 | -                        | (3,044.57)    |
| Transfer from/(to)<br>general fund | -                                      | -                         | -   | -  | -                                      | 60,413.90                         | (482,454.16)                                     | -                                 | 576,502.95               | 154,462.69    |
| Reallocation                       | -                                      | -                         | -   | -  | -                                      | -                                 | (364,336.90)                                     | 364,336.90                        | -                        | -             |
| At 31 March 2018                   | 496,109.52                             | 62,400.00                 | 475,380.93                                    | 189,600.00                                     | 86,668.90                              | 247,235.88                        | 1,466,995.81                                     | 364,336.90                        | 2,660,833.20             | 6,049,561.14  |

**INTERNATIONAL CHURCH OF THE FOURSQUARE GOSPEL  
- HONG KONG DISTRICT LIMITED**

**Notes to the Financial Statements**

For the year ended 31 March 2018

**10 ) Administrative expenses**

|   | 2018<br><i>HK\$</i>  | 2017<br><i>HK\$</i>  |
|---|----------------------|----------------------|
| Advertising                                   | 10,052.00            | 23,224.00            |
| Audit fee                                     | 79,476.00            | 73,703.00            |
| Bank charges                                  | 7,250.84             | 6,784.77             |
| Cleaning expenses                             | 16,827.90            | 16,674.70            |
| Depreciation on property, plant and equipment | 2,447,083.89         | 2,268,613.72         |
| Electricity, gas and water                    | 156,762.54           | 173,523.90           |
| Insurance                                     | 163,776.53           | 111,034.38           |
| Membership fee                                | 179,831.39           | 164,720.61           |
| Newspaper and magazine                        | 13,926.50            | 12,594.00            |
| Office supplies expenses                      | 48,237.01            | 34,141.28            |
| Postage and postage box hire                  | 8,104.80             | 7,368.90             |
| Printing and stationery                       | 155,367.81           | 144,038.60           |
| Provident fund contribution                   | 930,293.46           | 921,303.46           |
| Registration fee                              | 105.00               | 105.00               |
| Rent, rates and management fee                | 1,378,716.48         | 1,388,130.70         |
| Repairs and maintenance                       | 109,371.70           | 167,524.90           |
| Salaries and allowance                        | 15,393,256.65        | 14,840,857.17        |
| Storage charges                               | 17,931.00            | 17,931.00            |
| Sundry expenses                               | 85,911.20            | 108,379.30           |
| Telephone, fax and pager                      | 80,630.88            | 81,105.35            |
| Travelling expenses                           | 45,159.80            | 41,850.00            |
|   | <u>21,328,073.38</u> | <u>20,603,608.74</u> |

**11 ) Taxation**

No provision for taxation is required in these financial statements as the association is exempt from taxation pursuant to section 88 of the Hong Kong Inland Revenue Ordinance.

**12 ) District executive councilors' remuneration**

District executive councilors' remuneration disclosed pursuant to section 383(1) of Hong Kong Companies Ordinance is as follows:

|                  | 2018<br><i>HK\$</i> | 2017<br><i>HK\$</i> |
|------------------|---------------------|---------------------|
| Fees             | -                   | -                   |
| Other emoluments | -                   | -                   |
|                  | <u>-</u>            | <u>-</u>            |

**INTERNATIONAL CHURCH OF THE FOURSQUARE GOSPEL  
- HONG KONG DISTRICT LIMITED**

**Notes to the Financial Statements**

For the year ended 31 March 2018

**13 ) Operating lease commitments**

a ) As lessor:

At 31 March 2018, the association has contracted with tenant for the following future minimum lease payments:

|  | 2018<br><i>HK\$</i> | 2017<br><i>HK\$</i> |
|--|---------------------|---------------------|
| Within one year                        | 444,000.00          | 74,485.50           |
| In the second to fifth years inclusive | 32,000.00           | -                   |
|  | <u>476,000.00</u>   | <u>74,485.50</u>    |

The lease runs for three years and will expire in April 2019.

b ) As lessee:

At 31 March 2018, the association had the following total future minimum lease payments payable under non-cancellable operating leases:

|  | 2018<br><i>HK\$</i> | 2017<br><i>HK\$</i> |
|--|---------------------|---------------------|
| Within one year                        | 236,800.00          | 441,600.00          |
| In the second to fifth years inclusive | -                   | 236,800.00          |
|  | <u>236,800.00</u>   | <u>678,400.00</u>   |

The leases run for two and three years and will expire in August 2018 and March 2019.

**14 ) Financial instruments by category**

The carrying amounts of each of the categories of financial instruments as at the end of reporting period are as follows:

a ) Financial assets:

|                                | Loans and receivables |                      |
|--------------------------------|-----------------------|----------------------|
|                                | 2018<br><i>HK\$</i>   | 2017<br><i>HK\$</i>  |
| Accounts and other receivables | 380,335.59            | 863,975.82           |
| Cash and cash equivalents      | 29,634,765.59         | 27,418,636.60        |
|                                | <u>30,015,101.18</u>  | <u>28,282,612.42</u> |

(continue)



**INTERNATIONAL CHURCH OF THE FOURSQUARE GOSPEL  
- HONG KONG DISTRICT LIMITED**

**Notes to the Financial Statements**

For the year ended 31 March 2018

**14 ) Financial instruments by category (continued)**

b ) Financial liabilities:

|                             | Financial liabilities at amortised cost |              |
|-----------------------------|---|--------------|
|                             | 2018                                    | 2017         |
|                             | HK\$                                    | HK\$         |
| Accounts and other payables | 116,310.38                              | 148,214.47   |
| Rental deposit received     | 64,000.00                               | 117,180.00   |
| Loan and advance            | 6,866,000.00                            | 7,668,000.00 |
|                             | 7,046,310.38                            | 7,933,394.47 |
|                             | 7,046,310.38                            | 7,933,394.47 |

**15 ) Financial risk management**

The association is exposed to the following financial risks arising from in the normal course of its operations and financial instruments. The association's risk management objectives, policies and processes mainly focus on minimising the potential adverse effects of these risks on its financial performance and position by closely monitoring the individual exposure.

a ) Credit risk

The association is exposed to credit risk on financial assets, mainly attributable to cash and cash equivalents. The association's surplus cash has been deposited with a number of reputable and creditworthy banks. The fixed deposits usually have maturities of three months or less. The association does not expect that there will be any significant credit risk associated with them.

With respect to credit risk arising from the other financial assets of the association, which comprise accounts receivable as well as rental and utility deposits, the association's exposure to credit risk arises from default of the counterparty. The exposures to these credit risks are monitored on an ongoing basis.

b ) Interest rate risk

The association's exposure to interest rate risk mainly arises from its deposits with banks. Generally, the association holds fixed deposits with banks with maturity within three months to minimise the interest rate risk.

Interest-bearing assets:

|                           | 2018          | 2017          |
|---------------------------|---------------|---------------|
|                           | HK\$          | HK\$          |
| Cash at banks             | 13,180,387.93 | 10,680,010.00 |
| Fixed deposits with banks | 15,567,077.08 | 15,562,550.08 |
|                           | 28,747,465.01 | 26,242,560.08 |
|                           | 28,747,465.01 | 26,242,560.08 |

(continue)

**INTERNATIONAL CHURCH OF THE FOURSQUARE GOSPEL  
- HONG KONG DISTRICT LIMITED**

**Notes to the Financial Statements**

For the year ended 31 March 2018

**15 ) Financial risk management (continued)**

b ) Interest rate risk (continued)

Assuming that the amount of interest-bearing assets at the end of reporting period was unchanged for the whole year with all other variables held constant, a 50 basis point increase/decrease in interest rate at 31 March 2018 and 2017 would have increased/decreased the association's surplus by HK\$143,737 and HK\$131,213 respectively. The analysis is prepared on the same basis for 2017.

c ) Foreign currency risk

The association has no exposure to foreign currency risk as the association has no foreign currency transactions and balances in the normal course of association's operations.

d ) Securities price risk

The association has no exposure to securities price risk as no securities are held in the normal course of association's operations.

e ) Liquidity risk

The association is exposed to liquidity risk on financial liabilities. It manages its fund conservatively by maintaining a comfortable level of cash and cash equivalents in order to meet continuous operational need.

The maturity profile of the association's financial liabilities as at the end of reporting period, based on the contractual undiscounted payments, was as follows:

|                             | Within 1 year<br>or on demand<br>HK\$ |
|-----------------------------|---------------------------------------|
| <u>2018</u>                 |                                       |
| Accounts and other payables | 116,310.38                            |
| Rental deposit received     | 64,000.00                             |
| Loan and advance            | 6,866,000.00                          |
|                             | <hr/>                                 |
|                             | 7,046,310.38                          |
|                             | <hr/> <hr/>                           |
| <u>2017</u>                 |                                       |
| Accounts and other payables | 148,214.47                            |
| Rental deposit received     | 117,180.00                            |
| Loan and advance            | 7,668,000.00                          |
|                             | <hr/>                                 |
|                             | 7,933,394.47                          |
|                             | <hr/> <hr/>                           |

f ) Fair value measurement

At 31 March 2018, there were no financial assets and liabilities measured at fair value (2017: Nil). The carrying amounts of the association's financial instruments carried at cost or amortised cost are not materially different from their fair value as at 31 March 2017 and 2018.

**INTERNATIONAL CHURCH OF THE FOURSQUARE GOSPEL  
- HONG KONG DISTRICT LIMITED**

**Notes to the Financial Statements**

For the year ended 31 March 2018

**16 ) Related party transactions**

In addition to the transactions and balances disclosed elsewhere in these financial statements, the association had the following transactions with related parties:

a ) During the year, the association entered into the following transactions with related parties:

|   | 2018<br><i>HK\$</i> | 2017<br><i>HK\$</i> |
|---|---------------------|---------------------|
| Donation from International Church of the Foursquare Gospel | -                   | 500,000.00          |
| Rent paid to International Church of the Foursquare Gospel  | 336,000.00          | 346,000.00          |

b ) The following amounts are included in the statement of financial position in respect of the amounts due to related parties:

|   | 2018<br><i>HK\$</i> | 2017<br><i>HK\$</i> |
|---|---------------------|---------------------|
| <u>Loan and advance</u>                       |                     |                     |
| International Church of the Foursquare Gospel | 2,725,000.00        | 3,025,000.00        |

**17 ) Fund-raising events requiring public subscription permit from Social Welfare Department**

As stipulated by the laws of Hong Kong, the association applied for public subscription permits ("PSP") from the Social Welfare Department for the following events. The donation results have been included in the statement of comprehensive income as follows:

|   | 2018<br><i>HK\$</i> | 2017<br><i>HK\$</i> |
|---|---------------------|---------------------|
| <u>Flag day event held on 3 March 2018 (PSP No.: FD/R025/2017)</u>  |                     |                     |
| Donation received:  |                     |                     |
| - Flag day street donations   | 395,464.00          | -                   |
| - Other donations related to flag day fund raising event            | 348,022.20          | -                   |
| Total event expenses for this event                                 | (74,052.50)         | -                   |
|   | 669,433.70          | -                   |
| Flag day net income for the year                                    | 669,433.70          | -                   |
| <u>Flag day event held on 18 March 2017 (PSP No.: FD/R010/2016)</u> |                     |                     |
| Donation received:  |                     |                     |
| - Flag day street donations   | -                   | 261,017.10          |
| - Other donations related to flag day fund raising event            | -                   | 387,070.20          |
| Total event expenses for this event                                 | -                   | (60,488.80)         |
|   | -                   | 587,598.50          |
| Flag day net income for the year                                    | -                   | 587,598.50          |

(continue)

**INTERNATIONAL CHURCH OF THE FOURSQUARE GOSPEL  
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**Notes to the Financial Statements**  
For the year ended 31 March 2018

**17 ) Fund-raising events requiring public subscription permit from Social Welfare Department (continued)**

The flag day net income will be used to subsidise renovation costs and improvement of facilities and purchases of furniture and equipment for the upgrade of two elderly centres of the association, and to finance community care and support services for the elderly. There is no usage of net income of flag day held on 18 March 2017 and held on 3 March 2018.

Movement of flag day fund is set out below:

|  | <i>HK\$</i>         |
|--|---------------------|
| At 1 April 2016                                    | 1,666,302.35        |
| Usage of previous flag day net income for the year | (169,570.60)        |
| Flag day net income for the year                   | 587,598.50          |
|  | <hr/>               |
| At 31 March 2017                                   | 2,084,330.25        |
| Usage of previous flag day net income for the year | (92,930.75)         |
| Flag day net income for the year                   | 669,433.70          |
|  | <hr/>               |
| At 31 March 2018                                   | <u>2,660,833.20</u> |

**18 ) Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 March 2018**

Up to the date of issue of these financial statements, the HKICPA has issued a few amendments and new standards which are not yet effective for the year ended 31 March 2018 and which have not been adopted in these financial statements.

The association is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the association's results of operations and financial position.

**19 ) Approval of financial statements**

These financial statements were authorised for issue by the association's district executive council on 2 October 2018.