

EXPLANATORY NOTES

Prescribed Financial Statements for the Year Ended 31 December 2013

Introduction

The format of the Prescribed Financial Statements for 2013 is unchanged from the 2012 year.

On the receipts page the “E” indicates an “exclusion” from receipts in the calculation of Net Operating Receipts. On the payments page the “D” indicates a “deduction” from payments in the calculation of Net Operating Receipts.

Treasurers and Auditors (who are now known as Independent Assurance Practitioners) are again asked to pay particular attention to the correct categorisation of amounts into an “E” exclusion or a “D” deduction line item.

A copy of the audited Prescribed Financial Statements in the new format, together with prior year comparative figures and a budget for the following year, or the equivalent reports produced direct from SAPAS, is all that is required to be forwarded to the Diocesan Secretary.

The Wardens are to forward copies of the Financial Statements and Statement of Insurance Policies to the Diocesan Secretary within 7 days after the Annual General Meeting of Parishioners (AGM) has been held. The AGM must be held between 1 February 2014 and 31 March 2014 (refer to the Parish Administration Ordinance 2008 Schedule 1 clause 3.9(5) or Schedule 2 clause 3.8(5)).

There have been no changes this year to the format of these financial statements.

Reporting needed

Parishes using SAPAS should send –

- (i) a level 3 Profit and Loss Account and Balance Sheet,
- (ii) Wardens’ and Treasurer’s Report, and
- (iii) Independent Assurance Practitioner’s Review Report (Auditor’s Report).

Parishes not using SAPAS should complete –

- (i) Prescribed Financial Statements using either the excel spreadsheet available from the SDS website, or the attached .pdf file,
- (ii) Wardens’ and Treasurer’s Report, and
- (iii) Independent Assurance Practitioner’s Review Report (Auditor’s Report).

Clarifying notes for items that have been problematic in past years

Receipts

(a) Consolidated reporting

The prescribed financial statements for a church are to incorporate financial data for **all funds administered** by the wardens.

(b) 4-1300 Gifts specifically designated for buildings –

This item is to be used for any gift received which is specifically designated for –

- (i) the purchase of land,
- (ii) the purchase, construction or renovation of buildings, fixtures or fittings situated on church trust property held for the purpose of the parish, or
- (iii) the reduction of debt undertaken for the purposes of (i) or (ii).

(c) 4-2100 Donations designated for any organisation outside the parish –

Show here all money received as a donation, usually from parishioners, designated for any organisation, body or society **outside the control of the parish**. Some parishes handle these receipts through a liability account in which case this item will be left blank

(d) 4-4000 Grants –

Include here any money received as a grant from an organisation listed in a Schedule to the Accounts, Audits and Annual Reports Ordinance 1995, a trust under the control of the Archbishop, a Minister of the Crown or an instrumentality of the Commonwealth of Australia or the State of New South Wales, a local government council, or any other person or body or class of persons or bodies approved by resolution of the Standing Committee. Item numbers have been set up to separately record grants from your Regional Council, Anglicare, other Diocesan organisations (including Anglican Retirement Villages), or from Federal or State Government departments or instrumentalities.

Grants to parishes whose minister is a Mission Area Leader should be shown under 4-4300.

(e) 4-8000 Receipts from within the Parish from other churches and funds, and
6-8910 Payments within the Parish to other churches and funds

Care should be taken to ensure that receipts within the parish **are matched** with payments within the parish.

(f) Guidance notes on other amounts received –

- Long Service Leave – Any amount received from the Diocese due to the Rector or other Minister should be handled through a liability account until paid over, as this is not parish revenue.
- GST receipts should be handled through the Balance Sheet.
- Legacies received are now recorded in item 5-4000 Endowment gifts.

Payments

(g) 6-2310 Parish Donations to Christian organisations outside the parish from General Parish Funds –

- Include here only the amount paid to any Christian organisation outside the control of the parish from funds held for the general purposes of the parish.
- Please note the emphasis is now on Christian organisations. This includes local Scripture boards and Christian Education boards that are **not** controlled by the parish.
- We suggest that the auditor be provided with a supporting schedule detailing the name of each organisation and the amount paid to it.

(h) 6-2320 Passing on donations designated for organisations outside the parish

Show here the amount paid to organisations outside the parish from specific donations received from parishioners. This would normally match Received for Others **4-2000** in the Receipts section.

Trading Activities

There have not been any changes made to the trading activities section.

Please note that direct costs can be netted against revenues to report the excess or net profit only for –

- **4-7110** Fundraising activities
- **4-7130** Ministry activities (eg, book shop, house-party, etc), and
- **4-7120** Property rented or leased, or other business activities

Calculation of Net Operating Receipts

The Cost Recoveries Framework Ordinance 2008 provides for the calculation of Net Operating Receipts as follows. (This tabulation replaces the Annual Financial Return.) The calculation in the following table is replicated in the footer on page 1 of the “Statement of Receipts and Payments”.

ITEM DESCRIPTION	SOURCE REFERENCE
Sub Total Operating Receipts	Statement of Receipts and Payments
Less Exclusions	
Gifts specifically designated for buildings	Account / Item No. 4-1300
Donations designated for organisations outside the parish	Account / Item No. 4-2100
Grants	Account / Item No. 4-4000
Insurance claims received	Account / Item No. 4-6100
Receipts from within the parish	Account / Item No. 4-8000
Less Deductions	
Donations to Christian Organisations outside the parish from general parish funds	Account / Item No. 6-2310
Parish Donations to another parish	Account / Item No. 6-2330
= Net Operating Receipts (used to calculate the variable PCR charge)	

Wardens’ and Treasurer’s Report to the Parishioners

This report includes a declaration that the financial statements have been “properly drawn up so as to give a true and fair view of the receipts and payments during the year and the assets and liabilities at the year end”.

The declaration also makes reference to the Parish Administration Ordinance 2008.

Independent Assurance Practitioner’s Review Report (formerly the Auditor’s Report)

As a result of recent changes to the Standard on Review Engagements ASRE 2400 that applies to all members of a professional accounting body, the Standing Committee has passed amendments to the Parish Administration Ordinance 2008 which means that parishes can now opt to have a review in accordance with those standards, rather than a full audit. The Standing Committee believes in most cases such a review will be entirely adequate to provide parishioners with an independent opinion on the Financial Statements prepared by the Wardens, and it will be less expensive than a full audit.

As a result the “Audit Report” has been re-worded to be consistent with the form of a “Review Report” prepared by an Independent Assurance Practitioner in accordance with the standards required of a member of one of the professional accounting bodies.

Conclusion

Any questions relating to the Prescribed Financial Statements can be directed to Martin Thearle, Manager, Diocesan Services by phone on 9265 1682 or by email at mrt@sydney.anglican.asn.au.