

# EXPLANATORY NOTES

## Prescribed Financial Statements for the Year Ended 31 December 2016

### Introduction

The format of the Prescribed Financial Statements (“PFS”) for 2016 is only slightly different to the 2015 format.

The only material changes from the previous year are–

- Only the Notional stipend portion of the LSL received by the parish, which is retained by the parish to cover the cost of a locum, should be shown as a receipt under item 4-6630. (The Sabbatical allowance which is passed on to the minister after deducting PAYG should be handled through a liability account as it is not parish revenue.)
- Provision has been made for the parish cost recovery charge to be reported on 2 separate lines – the Ministry costs under a new item 6-1170 and the variable Network costs under the existing item 6-1990. (To clarify this distinction the description of item numbers 6-1170, 6-1200 & 6-1990 have been revised.) *If they choose, parishes can continue to report the whole of the PCR charge at item 6-1990.*

On the revenue page the “E” indicates an “exclusion” from receipts in the calculation of Net Operating Receipts. On the expenses page the “D” indicates a “deduction” from payments in the calculation of Net Operating Receipts. For the items marked “Ei” the “exclusion” is the lesser of the “Ei” and the corresponding “Ee”.

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”, “Ei”, “Ee” and “D” line items.

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, should 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 2017 and 31 March 2017 (refer to the Parish Administration Ordinance 2008 Schedule 1 clause 3.9(5) or Schedule 2 clause 3.8(5)).

### Reporting needed

Parishes using SAPAS should submit –

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

Parishes not using SAPAS should submit –

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

## Clarifying notes for specific items

### Statement of Comprehensive Income

#### Revenue

**(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 Exempt 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) Donations received for an organisation outside the parish**

These amounts no longer appear in the Statement of Comprehensive Income, but should be credited direct to the liability account 2-1400 in the Statement of Financial Position, until they are paid on to the organisation concerned.

**(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) 4-3100 Lease rental from commercial property  
4-3150 Lease rental from ministry residences**

These amounts should be the gross lease rent, less any managing agent's fees deducted before the funds are paid to the parish. Any expenses the parish incurs in relation to the leased property are to be shown separately at 6-7000 Expenses re parish property leased for income.

**(f) 4-7100 Ministry events – gross receipts  
4-7200 Fundraising events – gross receipts**

The amounts shown here should be the total received for each such event. Any expenses the parish incurs directly relating to these events are to be shown separately at 6-8200 and 6-8200 respectively. A 'ministry event' is defined as an irregular or infrequent event, which is usually subject to a specific charge that is designed to recover the direct costs of the event.

Receipts from other parish ministry activities such as services of public worship, and services for baptisms, marriages and funerals and like services should be shown at 4-7300 Parish ministry activities.

**(g) 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.

**(h) Guidance notes on other amounts received**

- Long Service Leave – the amount received from the Diocese representing the notional stipend which is to be retained by the parish should be shown at 4-6630 under Other Income any amount received from the Diocese (as Sabbatical Allowance) due to paid on to the Rector or other Minister after withholding PAYG should be handled through a liability account until it is taxed and paid over, as this is not parish revenue.
- GST receipts should be handled through the Statement of Financial Position.

## Expenses

### (i) 6-1170 Ministry costs including superannuation (part of PCR charge) –

The parish may choose to include here the portion of the PCR charge that relates to Ministry costs, ie the amount recovered from the parish representing the superannuation, LSL, Stipend Continuance Insurance and Sickness & Accident contributions paid on behalf of the ordained ministry staff licensed to the parish.

### (j) 6-1200 Superannuation for Lay staff –

Include here all superannuation contributions paid by the parish direct to an individual's superannuation fund. This would include the contributions paid on behalf of any Lay ministry staff, other administrative staff and any additional/voluntary contributions paid on behalf of ordained staff from an MEA or from an extra stipend sacrifice amount.

### (k) 6-1990 Parochial Network Costs including insurance (part of PCR charge) –

This can be used to record the total PCR charge, but if the parish chooses to use record the Ministry Costs under 6-1170 you should then include here the portion of the PCR charge that relates to Parochial Network Costs, ie. the variable portion of the PCR charge covering the Parish Property and Liability Insurance Program, the Parish Risk Management Program, the Professional Standards Unit, the Safe Ministry Training Program, the Provision for Relief and Remission of PCR charges, the Parish Contribution to the cost of Diocesan Archives, and the Fee for managing the PCR Fund 951.

### (l) 6-2310 Parish donations to Christian organisations outside the parish from general parish fund –

- 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 on Christian organisations, which includes local Scripture boards and Christian Education boards provided they 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.

## Calculation of Net Operating Receipts

The Cost Recoveries Framework Ordinance 2008 provides for the calculation of Net Operating Receipts as follows, which is replicated in the footer on page 1 of the "Statement of Comprehensive Income".

| ITEM DESCRIPTION  | SOURCE REFERENCE                         |
|---|--|
| <b>Total Revenue</b>  | <b>Statement of Comprehensive Income</b> |
| <u>Less</u> Exclusions  |  |
| Exempt gifts specifically designated for buildings  | Account / Item No. 4-1300                |
| Grants from a Diocesan organisation or government body  | Account / Item No. 4-4000                |
| Net Lease rental income from commercial property  | lesser of Items No. 4-3100 & 6-7000      |
| Net Ministry event income   | lesser of Items No. 4-7100 & 6-8100      |
| Net Fundraising event income  | lesser of Items No. 4-7200 & 6-8200      |
| Insurance claims received   | Account / Item No. 4-6100                |
| Long Service Leave reimbursed to parish   | Account / Item No. 4-6630                |
| Receipts from within the parish   | Account / Item No. 4-8000                |
| Lesser of Lease rental from ministry residences and Housing allowance / benefit provided to ministry staff unable to occupy above ministry residences | Account / Item No. 4-3150                |
| <u>Less</u> 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                |
| <b>= Net Operating Receipts</b><br>(used to calculate the variable PCR charge and Levy for 2017)  |  |

## **Statement of Financial Position**

Instead of finishing with an excess of assets over liabilities, ie net assets, the Statement now has a section headed Funds which shows information about how those net assets are held – accumulated surplus from the current and prior years; asset revaluation reserve; specific restricted funds (for building work, etc).

## **Statement of Changes in Funds**

This statement is optional, but is offered because it provides a helpful form of additional disclosure where the parish has significant reserves and restricted funds. Its use is particularly encouraged where –

- the amounts held in reserves or restricted funds are substantial,
- there are a significant number of separate reserves and/or restricted funds, and
- there have been significant movements in the amounts in some of those funds during the year.

## **Notes to the financial statements**

As part of the summary of accounting policies the wardens are required to specifically confirm that adequate provision has been made for long service leave for lay ministry staff and other support staff.

A note detailing the movements in funds held for on-payment (ie, donations designated for missions) has been added.

## **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 report also makes reference to the Parish Administration Ordinance 2008.

## **Wardens' declaration**

This new declaration requires wardens to indicate whether the financial statements prepared for the AGM correspond with the ABN for the main or only entity used by the parish, whether there are any other ABN/entities controlled by the parish (and if so to list those other ABN/entities), and whether the main or only entity used by the parish is a 'Basic Religious Charity' for the purposes of the Australian Charities and Not-for-profits Commission legislation.

## **Independent Assurance Practitioner's Review Report (formerly the Auditor's Report)**

In 2011 Standing Committee amended the Parish Administration Ordinance 2008 to allow parishes to opt to have a review, 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 Finance by phone on 9265 1682 or by email at [mrt@sydney.anglican.asn.au](mailto:mrt@sydney.anglican.asn.au).